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قسم إدارة الأعمال**

# **The Influence of Internal Determinants of Palestinian Pharmaceutical Firms on Export Performance**

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تأثير المحددات الداخلية لشركات الصيدلة الفلسطينية على الأداء التصديري

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## نتيجة الحكم على أطروحة ماجستير

بناءً على موافقة الدراسات العليا بالجامعة الإسلامية بغزة على تشكيل لجنة الحكم على أطروحة الباحث/ وسام خالد يوسف الاغا لنيل درجة الماجستير في كلية التجارة/ قسم إدارة الأعمال وموضوعها:

### The Influence of Internal Determinants of Palestinian Pharmaceutical Firms on Export Performance

وبعد المناقشة التي تمت اليوم السبت 10 شوال 1434 هـ، الموافق 2013/08/17 الساعة الحادية عشرة صباحاً، اجتمعت لجنة الحكم على الأطروحة والمكونة من:

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واللجنة إذ تمنحه هذه الدرجة فإنها توصيه بتقوى الله ولزوم طاعته وأن يسخر علمه في خدمة دينه ووطنه.

والله ولي التوفيق ،،،

مساعد نائب الرئيس للدراسات العليا

د. فؤاد علي العاجز

أ.د. فؤاد علي العاجز

## **Dedication**

To the soul of my Father, who persistently encouraged me to strive for excellence

"May God have mercy on him and make him live in His vastest paradise. "

To my beloved Mother, for her prayers to me.

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## **Abstract**

The purpose of this research is to describe the influence of internal determinants of Palestinian Pharmaceutical firms on export performance. Palestinian Pharmaceutical firms have difficulties to market their products in the international market. The production capacity and the good quality of product offer opportunities to the firms to gain from the internationalization process, especially through export as mode of entry.

After reviewing the literature and expert opinions, the most important determinants were identified. The study that consists of five determinants: mode of entry, strategic planning, international marketing research, international strategic marketing, and export performance, was tested in relation to their effect on export performance. A questionnaire was designed and distributed to measure the variables and their effect on the export performance, and responses from 59 respondents were retrieved.

The main conclusion reveals that firms enter international market in gradual successive stages, that represent higher degrees of increasing commitment to international markets. The process starts with exporting, contracting, and investing according to Uppsala model. The planning, market research and marketing strategy affect positively export performance in various levels, The highest effect is for the marketing strategy. Firm characteristics show the firm with small size positively affects performance, and older firm has stronger motivation to export, The demographic characteristics show that the respondents who graduated from Palestinian Universities and those who have post graduate degrees and respondents who have pharmacy back ground positively affect export performance.

The study recommends that the Palestinian pharmaceutical firms need to strengthen their cooperation to cope with challenges in global markets, and the firms need to pay more attention to strategic planning, marketing research, and to improve their employees international orientation for its employees.

## ملخص الرسالة

هدفت هذه الدراسة إلى وصف تأثير المحددات الداخلية لشركات الصيدلة الفلسطينية وتأثيرها على الأداء التصديري، حيث يوجد لدى شركات الصيدلة الفلسطينية صعوبات في تسويق منتجاتها في السوق الدولي، القدرة الإنتاجية و جودة المنتجات توفر فرصة للشركات الصيدلانية للاستفادة من التحول للعالمية، خصوصاً من خلال التصدير كمدخل للسوق.

بعد مراجعة الأدبيات واستشارة الخبراء تم اختيار المحددات الهامة، نموذج الدراسة يتكون من خمس محددات (طريقة الدخول، التخطيط الاستراتيجي، أبحاث التسويق العالمي، الإستراتيجية التسويقية العالمية، والأداء التسويقي)، تم اختبار علاقة تأثيرها على الأداء التسويقي، الاستبيان صمم ووزع لقياس المتغيرات وتأثيرها على الأداء التصديري، أعاد 59 مستجيب الاستبانة.

النتائج الرئيسية لتأثير المحددات الداخلية في هذا البحث كشفت عن التالي : دخول الشركات للسوق الدولي عملية تمر بمراحل تدريجية متعاقبة تظهر درجة عالية من الالتزام في السوق العالمي، العملية تبدأ بالتصدير، التعاقد ثم الاستثمار وفقاً لنموذج أوبسالا، التخطيط وبحوث التسويق والإستراتيجية التسويقية تؤثر إيجابياً في الأداء التصديري بمستويات مختلفة، التأثير الأعلى للإستراتيجية التسويقية، خصائص الشركة تظهر أن الحجم الصغير يؤثر إيجابياً في الأداء والشركة الأقدم لديها حافز أقوى للتصدير، الخصائص الديمغرافية أظهرت أن المستجوبين الذين تخرجوا من جامعات فلسطينية، والحاصلين على درجة تعليم عالي، والذين لديهم خلفية صيدلانية يؤثرون إيجابياً في الأداء التصديري.

توصى الدراسة أن الشركات الصيدلانية الفلسطينية بحاجة إلى تقوية تعاونها لمواجهة التحديات في السوق الدولي، وأن تقوم الشركات بمنح اهتمام أكثر للتخطيط الاستراتيجي، وأبحاث التسويق، وتطوير التوجه الدولي لموظفيها.

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## **List of Abbreviations**

BPC	Birzeit Pharmaceutical Company (BPC)
R&D	Research & Development.
RBV	Resource-Based View.
SPSS	Statistical Package for the Social Sciences.
GDP	Gross Domestic Product
GMP	Good Manufacture Product
ISO	International Organization for Standardization
MNC	Multinational corporation
MNPC	Multinational pharmaceutical corporation
MOH	Ministry of health in Palestine.
Pcbs	Palestinian central bureau statistics
PPI	Palestinian Pharmaceutical Industry (PPI)
PPF	Palestinian Pharmaceutical Industry federation
WHO	World Health Organization
WTO	World Trade Organization
UPPM	Union of Palestinian Pharmaceutical Manufacturers

**Chapter One**  
**Background context**

## 1.1 Introduction:

A Profitable business success depends on determinants such as marketing, high quality product, good services, operation, accounting, finance. Business will function in proper way if there is an effective and efficient marketing, "Marketing is managing profitable customer relationships", it becomes more significant if business is global oriented. Marketing plays crucial role to achieve business goal (kotler, 2006)

The world shrinks rapidly with the introduction of faster movement of good, communication, transportation, and financial flows, International trade has boomed over the last three decades, International competition also intensifies. International firms expands aggressively into new international markets, and the opportunity in domestic market decreases, thus; local firms look to expand its market through internationalization process, The internationalization strategy can be achieved by different modes of entry to international market. (kotler, 2006; Kotler & Armstrong, 2012)

In international business, the pharmaceutical industry is one of the most "lucrative industries" in the international business in the world (Hoang, 1999), the World Health Organization indicates that from 1985 to 1999 there was trend in increasing the production of pharmaceutical industries, during this period the growth increases four times more rapidly than world income. Multinational pharmaceutical corporation MNPc produces more than sixty percentage (60%) of global production in pharmaceutical. Most of these corporations are located in five industrialized countries. (United State of America, Japan, Germany, France, united kingdom), the branches of these MNC are distributed over the world. The include factories for production, fabricating, packaging, sale and distribution, but the Research and Development R&D located in the Corporate head quarter, global pharmaceutical production exceeds on 320 billion US dollars in year 1999 (World Health Organization, 2004).

The increasing production in pharmaceutical industries not only reflected the expansion of business, but it also indicated the trend in increasing the profit, Fortune magazine in its report "Fortune 500" of largest corporations show trend of the pharmaceutical corporations that occupied the third rank in profit in industries after oil production and information technology. Profits registered by the 10 pharmaceutical corporations were equal to more than half of the \$69.6 billion in profits gained by the entire list of Fortune 500 corporations, revenue for each dollar reach 17 cent comparing with the entire list of fortune 500 with median of 3.1 cent per dollar of revenue. A return in assets of 14. 1 percent compared to 2. 3 percent, these data explicit the significant role of pharmaceutical industry in global business (Fortune, 2003).

Marketing is essential for pharmaceutical industries, high cost of the R&D force the MNC to exert tremendous effort on marketing to return the cost. Promotional expenditure some time exceeds the expenditure on R&D , Its value is around 20-30 percent of sale (Brekke, & Kuhn, 2006), thus; local national industry has to think globally besides to defending its local market, the international market contains many opportunities for business (Kotler, Keller. 2006).

Palestinian's pharmaceutical industry is unique in terms of innovation and evolution. The industry boomed after the war in 1967 resulted in closed borders with the Arab countries. Prior to the war, pharmaceutical products were imported from foreign companies via importers in Amman, Jordan and in Cairo in Egypt. After 1967, however, imports from Jordan and Egypt became problematic. The only products available were either Israeli or products imported through Israeli agents. The market was subjected to intensive competition. This situation made pressure on Palestinian to think to start manufacturing pharmaceutical products (Massar, 2002).

This study will focus on the determinants which affect export process. This can include internal determinants of export of Palestinian pharmaceutical firms.

## **1.2 Research problem statement:**

Pharmaceutical business is characterized by its globalization, therefore; the local pharmaceutical business copes with competition of MNC that works constantly to increase its global market share by increasing their competition in sole local market in different countries, especially in emerging market like Palestine (Kotler& Armstrong, 1999).

Palestinian pharmaceutical industry struggles to provide domestic market with the increasing medical needs and to commence to extend its market by entering to international market. This aim faces tremendous difficulties because of the intensive competition in global market, and due to the situation in Palestine where the Israeli occupation has an impact on the development of economy in general and prevent the industry from improving its capability to import sophisticated machine and raw material under what they called "security reason". In addition there is an absence of government subsidies and the Palestinian market is relatively open for Israeli pharmaceutical product as well as MNC products (Abu Alia. 2007;Masar, 2002).

Palestinian pharmaceutical covers 35-40% of the Palestinian market while the remainder is provided by "Israeli" and imported products. The Palestinian pharmaceutical industry constitutes 7% of total Palestinian industrial output and contributes roughly 1% to GDP. According to a Massar survey conducted in 1998 by Massar (Massar, 2002). Despite the difficulties that face Palestinian pharmaceutical industry, the industry expanded, the growth of industry flourished constantly, the standard of quality of the production is acceptable. According to international standard, local market is relatively too small to absorb the production of industry, thus; Palestinian pharmaceutical corporation has to go for export.

### **The study main question:**

- What are the effects of internal determinants of Palestinian pharmaceutical firm on export performance?

## **1.3 Research hypotheses:**

This study aims to test the following hypotheses:

Hypothesis. 1.1: There is no significant differences among respondents at Level  $\alpha=0.05$  towards the export determinants and **Export performance Due To Firms Characteristic** "traits" (Firm size, firm age, firm sale).

Hypothesis. 1.2: There is no significant differences among respondents at Level  $\alpha=0.05$  towards the export determinants and **export performance Due To**

**management "Characteristic" traits** (Education Level, Place Of Education, Instruction Language, Education Background, Overseas Trip).

Hypothesis 2.: There is no statistical relationship at significant level  $\alpha=0.05$  between internal determinants and export performance in Palestinian pharmaceutical industry.

This main hypothesis can lead to the following sub-hypothesis:

Hypothesis 2. 1: There is no significant relationship at level  $\alpha=0.05$  between **Mode of entry** of Palestinian pharmaceutical firms and **export performance**.

Hypothesis 2. 2: There is no statistical relationship at significant level  $\alpha=0.05$  between **Export planning** of Palestinian pharmaceutical firms and **export performance**.

Hypothesis 2. 3: There is no statistical relationship at significant level  $\alpha=0.05$  between **Market research** of Palestinian pharmaceutical firms and **export performance**.

Hypothesis 2. 4: There is no statistical relationship at significant level  $\alpha=0.05$  between **Market strategy adaptation** of Palestinian pharmaceutical firms and **export performance**.

Hypothesis 3.: There is no statistical effect at significant level  $\alpha=0.05$  of **export internal determinants** on **export performance** on Palestinian pharmaceutical industry

#### 1.4 Research variables:

The dependent variable:

- **Export Performance**

The independent variables:

- Firms Characteristic "traits" (Firm; size, age, sale).
- Management Characteristic traits (education level, education place, language, international experience).
- Mode of entry.
- Export planning.
- Market research.
- Market strategy adaptation.

#### 1.5 Research objectives:

- Determine the best strategy for mode of entry for Palestinian pharmaceutical firms.
- Explaining how export planning could influence export strategy for Palestinian pharmaceutical firms.
- Explaining how market research could influence export strategy for Palestinian pharmaceutical firms.
- Explaining how market adaptation could influence export strategy for Palestinian pharmaceutical firms.
- Addressing the reality of export strategy in Palestinian firms for Palestinian pharmaceutical firms.
- Proposing some recommendations that could assist Palestinian pharmaceutical firms in their internationalization process for Palestinian pharmaceutical firms.

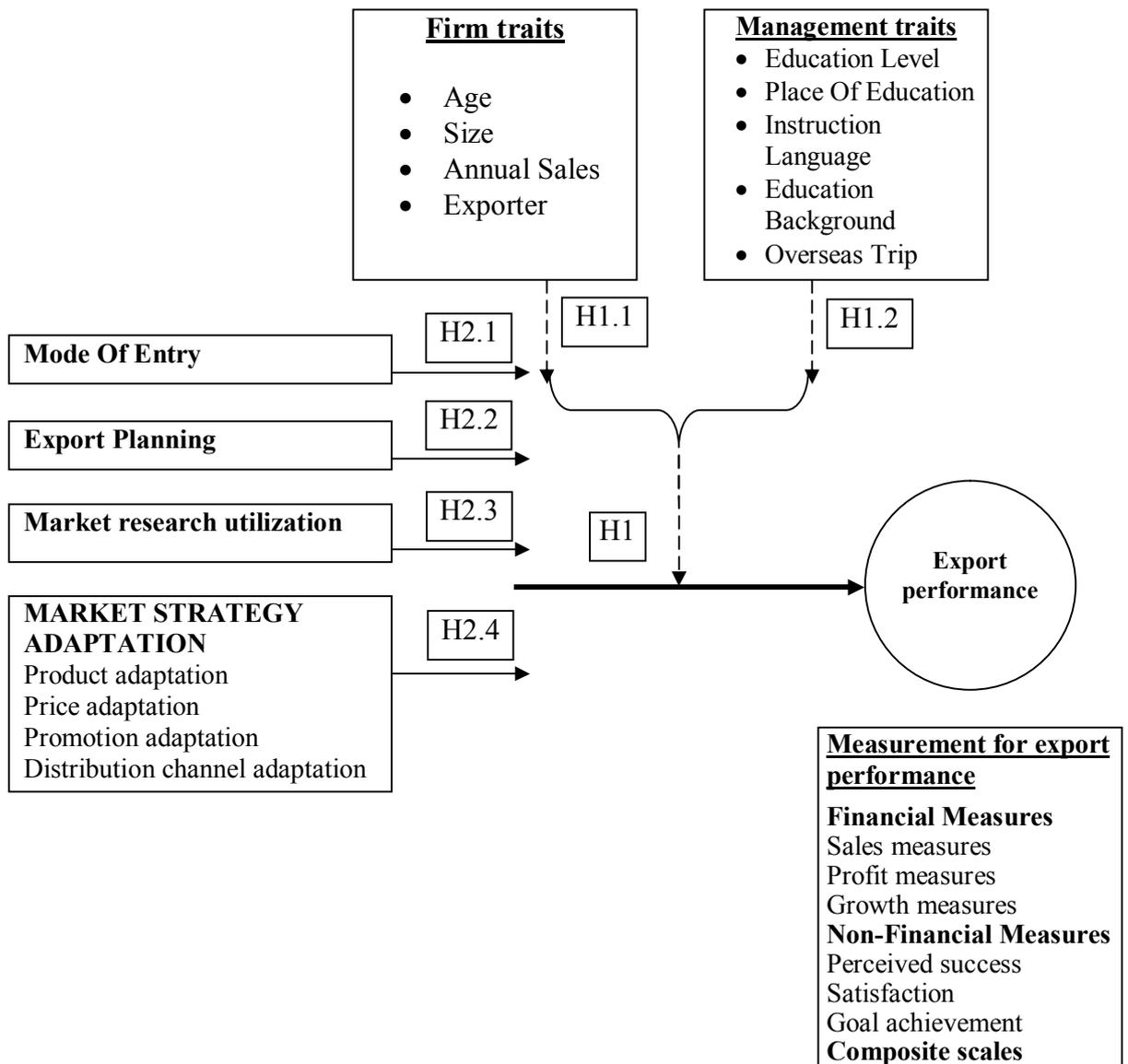
## 1.6 Research importance:

This is a genuine study conducted in the Palestinian pharmaceutical industry. To research knowledge, this study is the first to adapt Zou & Stan (1998) in the Palestinian pharmaceutical firms in order to investigate the effect of internal determinants on export performance.

The study result will provide assistance for local pharmaceutical companies to plan to increase their export more efficiently. To increase the profitability and increase their market share.

The study will provide conceptual framework of export determinants, thus helping Palestinian industry to conduct internationalization process especially export as one of mode of entry for Palestinian pharmaceutical industry.

## 1.7 Research conceptual frame



**Figure (1. 1) Research Conceptual Frame**

Conceptualized by researcher according to (zou & stan, 1998)

## 1.8 Scope of limitation

The researcher intends in this study to investigate deeply the effect of internal determinants of pharmaceutical firms on export performance, Only exporting companies exporting to international market were included in this study. All the activities involved in this study process were completed within three year period (2011 to 2013) the questionnaires were distributed within the period from November 2012 to March 2013. The empirical analysis is based upon 4 exporter companies in Palestine.

Due to the siege on Gaza Strip and the difficulties to travel to the West Bank, the researcher used the questionnaire as a tool of collecting data, Thus; possible limitation concerns the impact of the communication of respondents that was taking place as the questionnaires were being conducted. The questionnaire took a long time to be completed. in addition. The export performance is influenced by external and internal determinants. The researcher emphasis that this research is limited to internal determinants only

## 1.9 Research structure:

This study consists of five independent but interrelated chapters. The framework for the study is designed to cover the subject and to test the hypothesis as well as to get clear idea about the challenge of exporting for pharmaceutical corporation in Palestine.

### *The research consists of five chapters divided as follows:*

- A) Chapter One: Background context and previous studies
  - Introduction
  - Study Objectives
  - Hypothesis Of The Research
  - Question
  - Objective And Limitation Of Study.
  - Previous Study.
- B) Chapter Two: literature review (Theoretical framework)
  - Literature Review Introduction
  - The concepts of pharmaceutical marketing
  - pharmaceutical sector in Palestine.
  - international Pharmaceutical market.
- C) Chapter Three: Research methodology
- D) Chapter Four: Data analysis, interpretation and hypothesis testing
- A) Chapter Five: Conclusions and recommendations.

## 1.10 Previous studies:

This section includes previous studies related to the research subject, the topic of these studies includes " internal determinants of internationalization, mode of entry, export determinants strategy, Palestinian pharmaceutical firm. The previous studies provide guideline for researcher to follow the latest research in the founded field, and build on the accumulative literature and find the results in the previous research. The following previous studies are arranged in systematic manner

according to chronologically base on date. No local or regional studies to the knowledge of the researcher dealing with export strategy of Palestinian pharmaceutical firms have been found, which obliged the researcher to depend on international studies mainly.

#### **1.10.1 Hazboun (2006) “Strategic Application of CRM, The case of the Palestinian Pharmaceutical Industry”**

**Purpose:** The objective of study is to provide insight on the Customer Relationship Management (CRM) concept and a managerial reality of customer relationship management for the pharmaceutical industry in Palestine.

##### **Design/methodology/**

The research methodology is concerned with research design and hypothesis besides collection and analysis of information. In this paper, the study will be based on primary and secondary data.

population: pharmaceutical industry is analyzed by choosing two companies as a case example.

**Tools:** a questionnaire directed to appropriate staff and management members within two pharmaceutical companies. In addition, direct communication via e-mail and telephone was established with key members of the staff to obtain additional needed information.

##### **Findings:**

The general conclusion of the analysis is that both companies’ (subjected to study) current marketing performance is relatively satisfactory. However, it is believed that need to be improved in the attitude and behavior of employees within both companies.

##### **Recommendation**

- Improving customer knowledge and insight
- Improving organizational processes
- Improving communication
- Improving marketing measurement frameworks
- Becoming customer culture oriented

#### **1.10.2 Farra (2007) "Measuring the customer satisfaction on sales person performance at Palestinian pharmaceutical companies in the Gaza Strip Market".**

**Purpose:** The objective of study: This study aimed at recognizing the level of customer “Pharmacists” satisfaction on sales person performance at Palestinian pharmaceutical companies in the Gaza Strip.

**Design/methodology:** The research methodology is descriptive analysis, the study intended to investigate the relation between sales person performance at Palestinian pharmaceutical companies in the Gaza Strip Market and following variables: appearance, technical and theoretical knowledge, Skills, presentation ability, negotiation ability and the level of service quality.

**population:** community pharmacists in Gaza strip – Palestine.

**Tools:** a questionnaire directed to appropriate staff and management members.

**Findings:** there is good level of customer satisfaction, There is significance difference among respondents related to variable of study.

**Recommendation:** research recommended the firm to improve their sales person performance.

### **1.10.3 AlShibly. and Alzyadad (2009). "International Export Strategic Marketing in Jordanian firm."**

**Purpose:** The aim of this study is to identify the export strategy for Jordanian firms.

**Design/methodology/approach:**

The paper used the descriptive analysis methodology to study the relation between the export strategy and the use of marketing mix,

Population: directors and firm managers.

**Tool:** simple random sample, (180) questionnaires consisting of 26 items, with (64) returned and subjected to analysis by using (SPSS).

**Findings:** There is a strong relation between the marketing mix except for price strategy.

**Recommendation:** Firm has to increase its marketing mix strategy (adaptation, standardization, and integration).

### **1.10.4 Adili (2009) " Determinants and requirements of entering the Palestinian pharmaceutical industry into the international markets"**

**The study objective** is to identify the motives that lie behind the internationalization of the Palestinian pharmaceutical companies, and determine the most important external and internal environmental factors that impact and guide these companies in the selection of international markets. Since there is not much information concerning this phenomenon, this study shall follow exploratory curriculum.

Data of this exploratory study was collected from secondary sources such as books and relevant previous studies, and primary sources based on face-to-face interviews and via e-mail.

**The study population** was applied on three Palestinian pharmaceutical companies entered the international markets, and these companies were Beit Jala Pharmaceutical Company, Jepharm, and Pharmacare ltd.

**Finding:** The study find that there are threats to Palestinian pharmaceutical companies in the local market such as small market size and intensive competition. Surplus of pharmaceutical production in the domestic market form the most

important motives that encourages these companies to export to international markets. In addition, the companies selecting strategy take account to international markets the economic factors (per capita income, infrastructure, and exchange rate stability), the most important determinants and requirements that impact the selection of international markets by Palestinian pharmaceutical companies, whereas the cultural and social factors in the international markets do not impact the selection. The attractiveness factors of the global market such as (market size and the rate of growth, competition, availability of agents, and the cost of servicing the market) impact these companies in selecting international markets, whereas the geographical distance did not.

As for the effect of internal factors, the study found that the following factors (financial resources, human resources, experience in the international market, product adaptation, competitive advantage, top management, strategic planning, production capacity, production cost, size of the company, product quality and access to market information) positively impact the Palestinian pharmaceutical companies in selecting international markets. The study recommended that there is need to guide the Palestinian pharmaceutical companies towards integration rather than competition in the local market, and to work on increasing their market share in the Palestinian market.

#### **1.10.5 Masroujeh (2009) "Critical factors for Customer satisfaction and delight in the Palestinian Pharmaceutical market".**

**Purpose:** The aim of this research is to present the effect of critical factors for customer satisfaction and delight in the Palestinian Pharmaceutical Market.

**Design/methodology/approach:**

The researcher followed the descriptive analytical approach in conducting the research. A model that consisted of five critical satisfaction factors (Availability of service, Responsiveness of service, Reliability of service, completeness of service, and professionalism of service) was tested in relation to their effect on achieving the customer satisfaction & delight in the Palestinian pharmaceutical market.

**Findings:** Results show that professionalism of service was ranked the most important among the five factors. Completeness of service received the lowest ranking among the factors. Availability of service, responsiveness of service, and reliability of service were in the middle of the importance ranking.

**Recommendation:** Companies have to transform from being product and process oriented to becoming customer oriented, and company must build customer knowledge competence.

#### **1.10.6 Dwikat (2012) "The relationship between strategic planning and excellence in performance of the Palestinian pharmaceutical sector" master thesis, Alquds university, Palestine.**

**Objective of the study:** This study aimed to identify the relationship between the elements of strategic planning and excellence in performance of the pharmaceutical industry in Palestine industry.

**Methodology:** descriptive study

Data tool collection: questionnaire that included 77 statements.

**The population** of this study included all strategic managers in the pharmaceutical firms in the West Bank and the number of firms was five.

The sample size of the study included strategic managers in the following positions: board members, general managers/deputy general managers and the managers of functional departments and their number was 78.

The result of the study revealed the following:

**Results and findings:** the majority of the Palestinian pharmaceutical companies are applying strategic planning process in a scientific way,

There is a statistical significant relation between the elements of strategic planning and the qualitative excellence in performance. There is a positive difference in the level of performance according to the availability of formal and written strategic plan comparing to those who do not have formal strategic plans.

**Recommendations:** The pharmaceutical companies should increase their interest in the comprehensive continuous improvement particularly in the quality systems since they have a substantial positive impact on excellence in performance, the pharmaceutical companies should systemize the process of monitoring and evaluating the implementation of strategic plans, the pharmaceutical companies should adopt the strategic planning approach in all its stages and aspects on scientific and integrated basis.

### **International studies:**

#### **1.10.7 Johanson. And Wiedersheim-Paul (1975). "The Internationalization Of The Firm - Four Swedish Cases."**

This article focused on the process of internationalization process, it described the internationalization of four Swedish firm, All of them sell more than two-thirds of their turnover abroad and have production facilities in more than one foreign country. they have decided to distinguish between four different stages in internationalization process,

The study suggested model of internationalization process of the firm. They conceptualized the term "psychic distance" that explain the importance of the difference in language, culture, distance in flow of information between country of origin and others country in which firm intend to enter. The conclusion of article suggested the internationalization process is occurring through development of the firms according to incremental process, while strategic decisions heavily influence the internationalization.

#### **1.10.8 Johanson. and Vahlne. (1977). "The Internationalization Process of the Firm A Model of Knowledge Development and Increasing foreign market commitment".**

**Objective:** to study the internationalization of the firm

Study suggested model of internationalization process of the firm to be developed. They conceptualized the term "psychic distance" that explain the importance of the

difference in language, culture, distance in flow of information between country of origin and international market in each country.

**Results:** the study has observed that the absence of market knowledge has forced the Swedish manufacturing firms to develop their international operations in gradual steps, through incremental commitment decisions and entering at the beginning to psychically close market countries in to avoid the market uncertainty.

#### **1.10.9 Aaby & Slater (1989), "Management Influences on Export Performance: A Review of the Empirical Literature 1978-1988"**

This is highly cited research on the role of management on export performance, the aim of the research is to explore the determinants of export performance of international marketing research published in the time between 1978-1988, they classified four independent variable categories influence export performance: The external environment, competencies, marketing export strategy, and firm characteristics.

**The Conclusions** of the research find that there is no clear-cut formula for developing a successful export performance. With regards to firm characteristics they concluded as follows:

- Company size by itself is not an important factor, but it could exert influence if it linked to other aspects like financial strength and economies of scale.
- Management committed to export positively encourages export performance.
- Firms that have planned export activities are more successful on export.
- Export experience is important.
- Competencies are important comparing to firm characteristics.
- Management has an international vision, with consistent export goals, with clear perceptions and attitudes towards export, is positively encourage on engaging in export activities.
- Non-exporters have less perception on export and less risk-taking.

#### **1.10.10 Cavusgil & Zou (1994) "Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures".**

**The study object** is to study the relationship between marketing strategy and export performance, this research continues the investigation of Aaby and Slater (1989). It provided a broader overview of export performance, studied both internal and external factors together, . The research assessed export performance at two broad levels, the external environment level and the internal level. The main hypothesis suggested that export venture performance is determined by export marketing strategies and management's capability to implement the strategies, A confirmatory factor analysis (CFA).

The research results support the contention that marketing strategy implementation Can lead to good achievement of export performance.

The study provided constructs and The measurements developed for export performance, The study has contributed to comprehensive understanding of the success factors in export marketing strategy.

#### **1.10.11 Shaoming zou and Simona stan (1998). "The determinants of export performance: a review of the empirical literature between 1987 and 1997. "**

**A major purpose** of this review is to synthesize the literature in a significant way, The research intends to improve the earlier research and the work done as example by (e. g. Aaby and Slater, 1989; Chetty and Hamilton, 1993; Madsen, 1987). and to discuss directions for future research aimed at developing better theories and advancing knowledge of export marketing. Article added the external environment to the internal environment and updating the information of the variables. They collected fifty (50) articles (1987-1997) and studied them on a conceptual level. They classified the export performance measure into seven categories. Meta-analysis had been used as research approach.

#### **1.10.12 Leonidou. Katsikeas. & Piercy (1998). Identifying managerial influences on exporting: Past research and future directions".**

**The study object:** is to provide integrated review of studies related to export.

The article attempts to provide integrated review of extant studies related to export literature, it aims to address the research question, what are the weakness and strength of the methodology, conceptual and empirical aspects? What is the role of management on export?

**Methodology:** Studies were selected for review on the basis of five eligibility criteria, the research pointed management as principle force influencing export. The review covered the period between 1960-1995. The article studied 46 research on international marketing concerning on managerial influence on export.

**Results** of the article showed that only certain managerial characteristic influence export performance. However, with the exception of the positive role of decision maker, education background, language proficiency, and experience abroad in initiating exports, received weak empirical support. Some characteristic of specific subjective nature such as managerial perception of risks, cost, and profit on overseas markets, show strong association with exporting.

#### **1.10.13 Suárez-Ortega. and Álamo-Vera (2005). "SMES' internationalization: firms and managerial factors"**

**Objective** of the study is to examine the particular organizational and managerial determinants of the different aspects of a firm's export development process: intention, propensity, and intensity.

**Methodology:** The study analyzed firm's resources and capabilities, managerial characteristics, and managerial attitude and perceptions, the sample of study 286 firms, Statistical analyses using SPSS were carried out to support or reject eight study hypotheses.

**Findings:** Results observed that factors influencing export involvement are not the same along the process of export development.

#### **1.10.14 Puljeva and Widen (2007)" The influence of internal and external factors on entry modes".**

**Purpose:** the research purpose of this thesis is to provide a better understanding of the impact of internal and external factors on SMEs' choice of international market entry strategies.

**Design/methodology/approach:** This thesis is exploratory, describing and using explanatory approach, The research employed the qualitative research in the thesis, Researchers chose to perform a case study due to its suitability to their theses. The study tool used interviews over the telephone.

#### **Findings and recommendations:**

The study finds that the factor company size/ resources influences the choice of market entry mode. SME's tends to initiate their internationalization through export before using more resourced intense market entry modes, management risk attitudes should be less risk averse when being financially successful, The study finds that firm with few resources prefer low committing entry mode. Special attention should be paid for product differentiation. firms have to take their product features into consideration when choosing market entry mode. Study also finds that the goals can be both short-term and long-term and in a long-term perspective the goal of growth will develop a need to internationalize the company and create sales and production platforms outside the domestic market.

#### **1.10.15 Sousa. Martínez-López, et al. (2008). "The determinants of export performance: A review of the research in the literature between 1998 and 2005".**

**The objective** of the article attempts to review and synthesize and extant the knowledge on the determinants of export performance, This study reviews and evaluates 52 articles published, the size of the firm has been studied is varies. The studies reviewed in this article used mail surveys for data collection, majority of the export studies continue to focus on small to medium-sized firms and most studies conducted in united states and most of the studies data were collected from the individual for international marketing, increasing studies have included the external environment, market orientation find as a key determinant of export performance emerges in this review research. The export marketing strategy has been widely used as a determinant of export performance. The marketing mix variables were most frequently cited. To less extent firm-specific variables were also widely used as determinants of export performance(size of the firm, the international experience of the firm, and the firm's capabilities ).

#### **1.10.16 Wheeler. Ibeh, K. & Dimitratos. (2008). UK Export Performance Research**

**Purpose:** to review and analyze of research on export performance in the UK for the period 1990 –2005. The research problem is the plenty of Previous research on export performance that has been criticized for being a mosaic and for their lack of

theoretical development. The research proposed framework identifies two broad categories of Determinants, that is internal and external groups of export determinants.

**Results:** The research shows management and policy implications for the UK emerging from the review and synthesis of the literature and the integrated model are discussed.

#### **1.10.17 Malik and chaudhary (2010). Factors Affecting Small and Medium Enterprises, Selection of Market Entry Mode.**

**Purpose:** To investigate and critically assess impact of internal and external factors on small and medium enterprises on selection of international market entry mode strategies in Pakistan.

##### **Design/methodology/approach:**

The researchers employed the qualitative research approach in the thesis. Researchers studied internal and external factors influence mode of entry. The authors designed the research question containing the comparison of Pakistani firms, Data sources used in the research study were primary and secondary.

**Tool:** Questionnaire was designed in order to meet the demand of the research question and purpose of the research

**Sample:** Top 10 Companies were selected from the industrial sector in Pakistan

**Findings and recommendation:** While making the selection of entry mode; managers should consider the following:

- importance of company size when selecting market entry modes.
- Managers should ignore image support requirements
- Managers should adapt the choice of entry mode towards the speed of market growth in overseas economies.
- Managers should not focus on profit targets when making.
- Managers should keep in mind characteristics of product such as weight and packaging when making decision for entry mode.

#### **1.10.18 Stoian, Maria–Christina (2010) "internationalization and international marketing: export behavior, international marketing strategy and export performance in Spanish small and medium sized enterprise".**

**Objective:** to study the importance of the export activities and performance.

**Methodology:** data was collected through online survey address to the decision maker in Charge of the export in the firm, multivariate analysis with (SPSS) and structural equation modeling (SEM), analysis of moment structure (AMOS) were performed.

**Findings and recommendation:** there is importance of the decision maker international out look to be crucial for SME, export process. Management characteristics seem to have stronger impact on export. Results show a positive relation between objective export performance (export intensity and number of

export markets) and subjective export performance (managerial satisfaction with export position, export profitability and new market entry). The successful export could be achieved by adopting international export strategy.

### **1.11 Comment on previous studies:**

Most previous studies on the pharmaceutical industry in Palestine seem to study topic that is not focusing on export. Most Palestinian studies have tested the difficulties face industry in domestic market. The most recent study on the determinants of entering of Palestinian pharmaceutical industry into international market has been performed by Adili (2009). He intended to identify the motives of internationalization of PPI. The study has used interview to collect data. AlShibly, and Alzyadad (2009) studied the international export strategic Marketing in Jordanian firm.

A review of the internationalization literature shows that previous studies have addressed a wide range of topics, including internal determinants of export (Puljeva and Widen 2007). A second group focused on the internationalization process of firms (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Suárez-Ortega. and Álamo-Vera 2005; Stoian, Maria–Christina 2010). A third group focused on export performance (Aaby and Slater 1989; Zou and Stan 1998; Wheeler. Ibeh, K. & Dimitratos, 2008).). More contribution to export marketing literature has investigated variety of topics. This includes the Market Entry Mode (Malik and chaudhary 2010), and a review of the research in the literature of determinants of export performance (Leonidou. Katsikeas. & Piercy 1998; Shaoming zou and Simona stan 1998; Sousa. Martínez-López, et al. 2008).

The previous studies have investigated the potential determinants of export on initial stage of export. The process of internationalization has been extensively researched, Furthermore, most previous studies have used multinational companies MNCs. Relatively few of the previous studies have conducted research in Palestine and Arabic culture. Most of the studies have been conducted in united states and Europe.

This study focuses on the effect of internal determinant on Palestinian pharmaceutical firms. The study empirically has assessed the influence of variety of determents on export performance, while most of the previous studies investigated one of the internal determinants, the study employed the measure of export performance from previous studies. The firms in the present study are all active exporters, the study pay more attention to the role of managers characteristics and firm characteristics affecting the export performance.

### **1.12 Summary**

This chapter has presented the introduction, background to the study, stated the research problem, and the important of the research. It presented research questions, objectives, hypotheses of the study, and presents limitations. It has indicated the research methodology, the method data collection, and the tool of data collection and analysis. The chapter has included the review of previous studies and comments on them.

**Chapter Two**  
**Literature Review**

## **2.1 Introduction:**

In This chapter the research will review literature studies related to the research questions regarding the internal & external determinants influencing firm's export performance in international market. That challenges the entry to international market, to build clear and comprehensive picture of the environment related to internationalization, with special emphasis on internal as variables to this study.

## **2.2 Pharmaceutical industry in International Business**

Palestinian pharmaceutical companies preparing to compete in the 21st century are increasingly challenged with the task of crafting strategies that anticipate and respond to the rapid pace of change in global markets, Business in globalization era needs to compete on a global basis if they want to compete and maximize their profit in international market. International Businesses today face a number of challenges and opportunities, including high competition, the effects of advances in technology, and free trade in open international market. To survive in these circumstances business must "think global" and "act local" and to internationalized the business. (Kotler, and Keller, 2009).

The tremendous growth of international trade over the past several decades has been pushed the globalization. The volume of world trade after world war II has increased by twenty-fold. (WTO. 2008), World trade has the broad and simultaneous impact on nations, firms, and individuals, Within five years alone, world trade in merchandise has expanded from \$6.2 trillion in 2000 to over \$9 trillion in 2005. World trade in services has expanded from \$1.5 trillion to \$2.1 trillion in the same period of time. That represents a growth of nearly 150 percent for trade in both merchandise and services. (Czinkota and Ronkainen, 2007).

This increase in the international business has spurred tremendous competition across the globe, as a result pushing the firm to gain from the opportunities of international business. Furthermore, international business across borders is no more the expensive privilege of only multinational companies, Small and medium firm can internationalize their business. Internationalization process is necessary because national economy integrated to the world market, and separation became impossible. Failure to participate in the international market cause declining economic position and competitive advantage of a nation (Czinkota & Ronkainen, 2004).

## **2.3 International business:**

"International business is all commercial transaction ;private and governmental; sales, investments, and transportation, that take place between two or more countries; private firm undertake such transaction for profit"; in general governments support exporting to increase the national wealth (Daniels, Radebaugh et al. 2006), International business can be defined as "the performance of trade and investment activities by firms across national borders". The term emphasizes on crossing national border, it also refers to international business activities conduct value adding on an international standard. They seek international customers. In international business, there will be exchange of physical and intellectual assets, including products, services, capital, technology, and labor force. (Cavusgil, 2012).

### **2.3.1 International marketing:**

"International marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations". International marketing has many different faces ranging from export–import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations, and management contracts. Globalization makes International marketing more important because the world has become relatively more free market. (Czinkota and Ronkainen, 2007)

International marketing is necessary because it affects consumers in many ways. It offers consumer with his need in high quality and reasonable price. For the nation, the Failure to participate in the global market assures a nation of declining competitive advantage, and its citizens of a decrease in their quality of living. Successful international marketing, can hold the promise of an improved quality of life, a better society, although, some criticize international marketing and figure to the negative aspects of international business. They accuse multinational corporation of monopoly of market, polluted environment, Many of these accusations are being discussed seriously. (Onkvisit 1993).

### **2.3.2 International Markets:**

International markets can be defined according to the following approach which suggests two dimensions for the definition:

1. "The international market as a country or a group of countries".  
This definition emphasizes that of the country is national political state identity.
2. "The international market as a group of customers with nearly have the same characteristics". Market here consists of customers among several countries. (Hollensen, 2008)

### **2.3.3 Internationalization:**

Globalization of the business and an increasing of interdependence between countries force many firms to Internationalization process. Internationalization offers potentially more profitable markets for firm; helps increase the firm's competitiveness; and facilitates access to gain new knowledge, innovations and the sophisticated technology. The internationalization term stands for "Doing business in many countries of the world, but often limited to a certain region". (Hollensen 2008). Internationalization subjected to many researchers have tried to explain its process. One of the most famous model is Uppsala Internationalization Model, (Johanson & Vahlne 1977, 1990, 2006) emphasis on the gradual process of internationalization (Johanson & Vahlne, 1977, 1990, 2006).

### **2.3.4 The internationalization stages of the firms:**

The Uppsala Internationalization Model (U-M) of (Johanson & Vahlne 1977, 1990, 2006) described internationalization process of the individual firm (Andersen 1993), It has been argued that in the manufacturing sector the internationalization process of the firm occurs in a number of evolutionary stages (Roberts 1999) Jan Johanson And Finn Wiedersheim-Paul (1975) studied the internationalization process of Swedish firms at the University of Uppsala. Their work has distinguished between four different modes of entering an international market, where internationalization process pass on gradual successive stages that represent higher degrees of international engagement of the firm, following is the four stages:  
Stage 1: No regular export activities.

- Stage 2: Export via independent representatives (agents).
- Stage 3: Establishment of an overseas sales subsidiary.
- Stage 4: international production/manufacturing

They think these stages are important because there is difference regarding the degree of engagement of the company in the market, and they are often referred to people in business. (Johanson and Wiedersheim-Paul 1975).

**2.3.5 Firm Characteristics of Internationalization process:**

Cavusgil, S. T. (2012) identifies certain patterns and characteristics associated with the process of the firm path to internationalization:

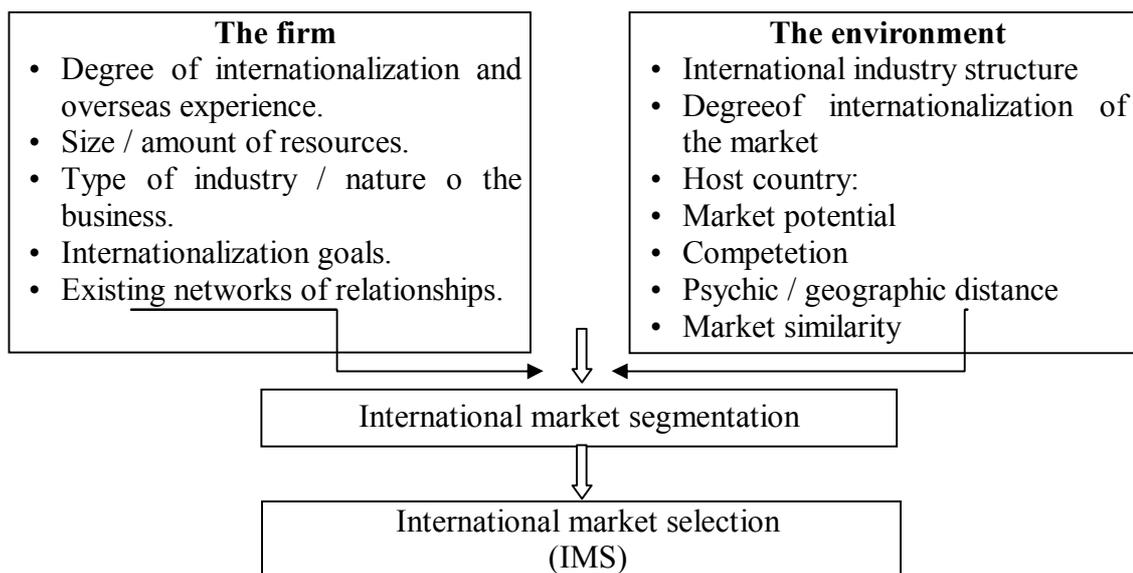
1. Push and pull factors serve as initial triggers, where push factors include; influence of domestic market such demand volume, competition.
2. Initial internationalization can be occurred accidentally, or haphazard.
3. Risk and return must be measured between risk and profits.
4. Internationalization is an evolutionary ongoing learning experience.
5. Firms may evolve and progress through stages of internationalization.

**2.4 International Market Entry:**

The concept of international market entry is related to the obstacle or easiness of entering country's market, entry to international market is serious challenge to firm ability to compete in global basis, firm needs resource, management commitment, control of its operation overseas. (Bradley 2005)

Market entry strategies include decisions on:

- The choice of a target product/market;
- The objectives and goals in the target market;
- The choice of an entry mode to penetrate the market;
- The marketing plan to penetrate the market; and
- The control system to monitor performance in the target market (Root, 1994).



**Figure (2. 1) Potential Determinants Of The Firm's Choice Of Foreign Markets**

source :Adopted from (Hollensen, 2008)163.

## **2.5 International Entry Mode Strategies:**

An international market entry is an institutional arrangement to facilitate the firm access to international market, Once a company has decided upon a suitable international market for its operations, it needs to choose an proper market entry strategy (Root, 1994). The foreign market entry strategies takes various form. That includes exporting, contractual and investment entry modes (Bradley,1995).

According to (Hill, Hwang et al. 1990) the entry mode depends on many internal and external factors like the international marketing strategy, environment factors, cost consideration, and global strategic objective, all of these variables influence entry mode according to elective theory.

Once the firm has determined its target objectives in target market, the next step is to choose the best way to enter the market. It cannot be stated categorically which mode is the best. There are many internal and external conditions which affect this choice, following characteristics are connected to three types of entry modes:

**Export modes** (agent, distributor): low control, low risk, high flexibility.

**Contractual** (Intermediate) mode (joint venture, strategic alliance ): shared control and risk, split ownership.

**Investment** (Hierarchical) modes (own subsidiary): high control, high risk, low flexibility. (Hollensen, 2008)

### **2.5.1 Entry Modes strategies:**

#### **2.5.1.1 Exporting as a Foreign Market Entry Strategy:**

Because it entails limited risk, expense, and knowledge of foreign markets and transactions, exporting is what most companies prefer as their primary foreign market entry strategy. Typically, the focal firm retains its manufacturing activities in its home market but conducts marketing, distribution, and customer service activities in the export market, either itself or through an independent distributor or agent. (Cavusgil, 2012)

Exporting entry modes is the most useful strategy of entry for manufacturing companies for their initial internationalization process (Bradley, 1995). Exporting minimize the risk of foreign market involvement. Exporting is control the "experience effect of shifting from exporting to foreign production in foreign country. (Yung-Chul and Leonard, 1993). there is direct and indirect export, and other type of export form. (Root,1994).

#### **2.5.1.2 Contractual Entry Modes**

Contract manufacturing is outsourced to an external partner of the firm. It utilize the specializing production and production technology of the firm (Hollensen 2011). This includes Licensing., Franchising, management contract, technical assistance, Licensing is another way in which the firm can establish local production in foreign markets without capital investment (Hollensen 2011) Franchising is a term when franchisor gives a right to the franchisee against payment, e. g. a right to use a total business concept/system, including use of trade marks (brands), against some agreed royalty. (Hollensen, 2011).

**Licensing:**

Licensing is a means of establishing a foothold in foreign markets without large capital outlays is licensing. Patent rights, trademark rights, and the rights to use technological processes are granted in foreign licensing. It is a favorite strategy for small and medium-sized companies. The main advantage of licensing is the circumvention of import barriers. In addition, licensing helps the firm to overcome the problem of high transportation costs that might occur in exporting. Licensing also implies lower political risk than the investment entry modes. (Root, 1994)

**Franchising:**

Franchising is a rapidly growing form of licensing in which the franchiser provides a standard package of products, systems, and management services, and the franchisee provides market knowledge, capital, and personal involvement in management. (Bradley 2005) Franchising is when an individual or an organization in a country is granted the right to use the company name, trademark and technology. However, the franchisor also assists the franchisee in organization, marketing, and general management under an arrangement that is intended to be permanent. The advantages of franchising are rapid expansion to new markets with low investment, standardized method of marketing with a distinctive image, highly motivated franchisees, and low political risk. The disadvantages of franchising are mainly the same as for licensing. Further, licensing and franchising are suitable modes of entry when the company sells a service that cannot be exported. (Root, 1994)

**Consortia:**

Consortia is similar to joint ventures and could be classified as such except for two unique characteristics: (1) They typically involve a large number of participants and (2) they frequently operate in a country or market in which none of the participants is currently active. Consortia are developed to pool financial and managerial resources and to lessen risks. Often, huge construction projects are built under a consortium arrangement in which major contractors with different specialties form a separate company specifically to negotiate for and produce one job. One firm usually acts as the lead firm, or the newly formed corporation may exist independently of its originators. (Bradley, 2005)

Contractual relationships usually take the form of licensing and franchising, in which the firm allows a foreign partner to use its intellectual property in return for royalties or other compensation. (Cavusgil, 2012), contractual entry modes can be separated from the exporting modes since the previous are transfers of knowledge and skills and the latter involve transfers of products. However, contractual entry modes can later lead to export opportunities. (Root,1994)

**2.5.1.3 Investment Entry Modes:**

This means investment within a foreign country. Companies may invest in another market due to low cost labor, to avoid high import taxes, to reduce the high costs of transportation to market, to gain access to raw materials and technology, or as a means of gaining market entry. (Bradley, 2005)

New establishments: are when companies start up completely new operations in a new country. (Root,1994)

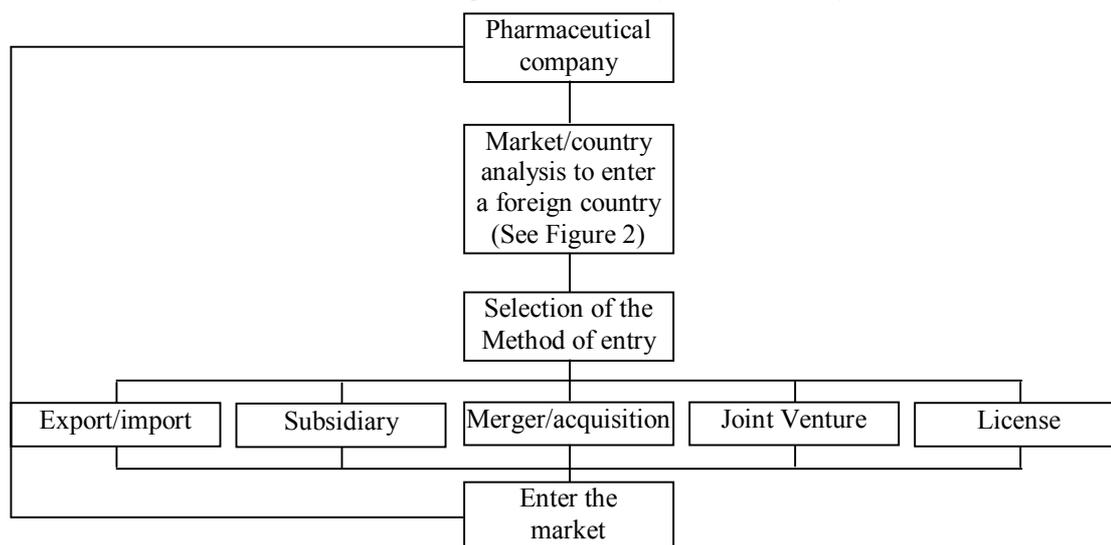
**Joint venture:** is different from other types of strategic alliances or collaborative relationships in that a joint venture is a partnership of two or more participating companies that have joined forces to create a separate legal entity, joint venture is when two companies share the ownership of a firm in order to complement assets and/or skills (Brassington and Pettitt,2000). A joint venture occurs either when a foreign and a domestic firm together start up a completely new company within the new market, or through an acquisition or a partial ownership of an existing local company by the foreign firm. (Root,1994)

**Acquisition:** Acquisition is to acquire a foreign company in order to get access to distribution channels and specific assets, to create product/geographical/financial diversification and the sourcing of raw materials for sale outside the host country. The advantages of acquisitions differ depending on how successful the selection of the acquired company is, and a poor selection can turn any advantage into a disadvantage. (Root, 1994).

**Merger:** when combining two or more entities into one, without the creation of a new entity (Investing Glossary, 2003) Merger activity is likely to lead to economies of scale and a rapid expansion of market share. Further, it allows for decisions to be made without having to wait for consensus by another part. In addition, mergers can be used as means to spread risks to various activities, and as ways to achieve managerial prestige, access to brands contracts and networks. Finally, mergers decrease competition in the market place and are therefore best suited in industries where competition is intense. (Floyd, 2002)

**2.5.1.4 Electronic Entry Mode:**

Finally, the electronic entry mode means that a service firm extends its accessibility through the use of advanced electronic technology. The Internet presents ways to communicate offerings and to put them up for sale, and the ability to collect data on buying habits and patterns of its customer, and the possibility to use network partners to arrange delivery and payment. However, the company still has to rely on, for example, postal and other delivery services for the strategy to work. This strategy might in some instances also work for manufactured goods as well. (Gnrroos, 1999)



**Figure (2. 2) An international market entry mode for pharmaceutical companies**  
 Source (Javalgi, R. G. and R. F. Wright. 2003)

## **2.6 Determinants Influencing the Entry Strategy Decision:**

The selection between the entry modes depends on the risk the company is prepared to take and its desired degree of control on its internationalization process (Farhang, 1990). According to Root (1994) it depends on whether the managers of the international firm follow the naive, the pragmatic or the strategy rule when deciding which mode of entry should be used when entering foreign markets.

Root (1994) further states that the naive rule implies that the firm only consider one way to enter foreign markets, no matter of which country the firm is entering. To follow the pragmatic rule means that the company does not set aside time to investigate other modes when a mode of entry that is working has been found. Finally, companies following the strategic rule systematically compare other modes of entry in order to eventually find the most suitable one.

On the other hand, Albaum and Strandkov (1994) argue that the decision can be based on either, or both, of two broad approaches, which are experience or analysis. That is, the company can decide what mode of entry is desirable for its products from its own experience, or from other firms' experiences. In contrast, the choice can also be made after making an analysis of the marketing task, needs, and buying habits of potential customers, and the competence of marketing organizations to perform various activities.

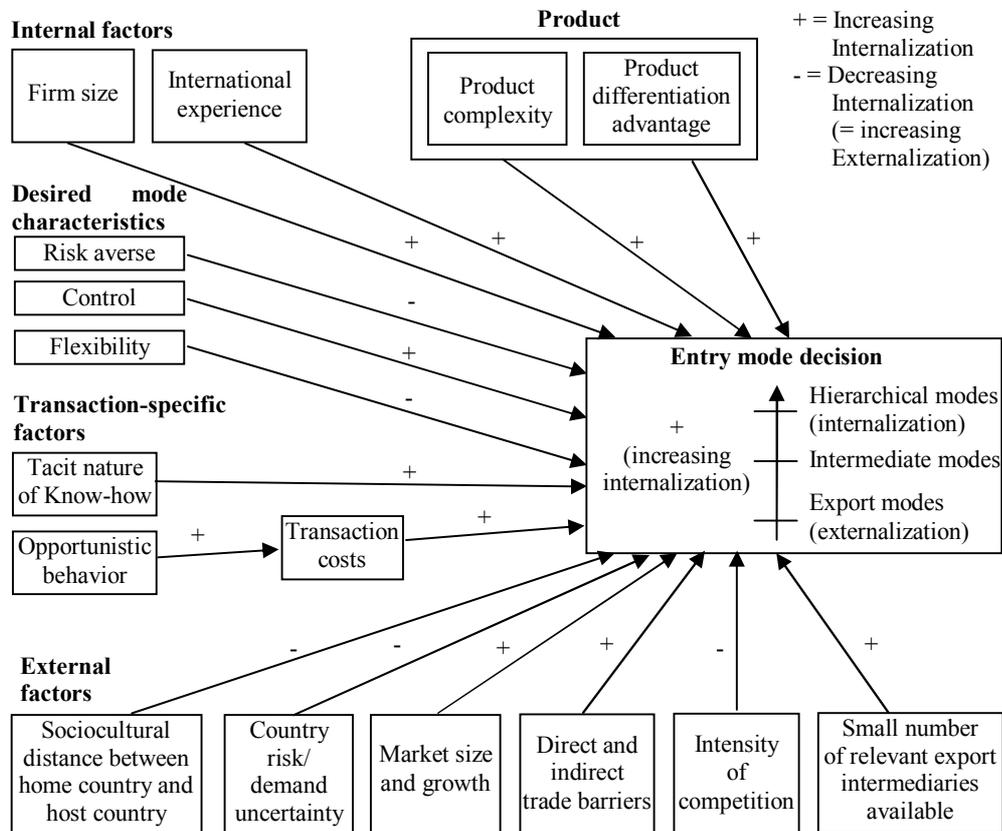
The decision of entry mode revolves around both external and internal factors (Albaum and Strandkov, 1994). The influence of internal and external determinants is illustrated in many models; Foreign Market Entry Mode Decision, Factors in the Entry Mode Decision (root,1994), Factor affecting the foreign market entry mode decision (hollesen, 2008), (Aaby and Slater, 1989), an operational model of the determinant of service firms export success adopted from (Cavusgil, 1984).

A company's choice of its entry mode for a target country is the net result of many determinants. The need to anticipate the strength and direction of these determinants forces makes the entry mode decision a complex process, In general, the choice of entry mode should be based on the expected contribution to profit.

There is four groups of determinants are believed to impudence the entry mode decision:

1. Internal factors;
2. External factors;
3. Desired mode characteristics;
4. Transaction-specific behavior.

As shown in Figure (2.3) four groups of determinants are believed to impudence the entry, figure shows the positive-negative influence for each determinants to entry mode decision. (Hollesen, 2008)



**Figure (2. 3) Factors affecting the foreign market entry mode decision**  
Source (Hollensen, 2008: 206)

## 2.7 Internal and external determinants:

Internationalization is influenced mainly by firm internal and external determinants, Many researchers have studied the influence of internal and external stimuli on mode entry (wiedersheim-paul et al, 1978; cavusgil and nevin, 1980; welch and wiedersheim-paul, 1980;root, 1994;adam, 2001;) The Organization of Exporting Activities (Dalli, 1995).

Root (1994) finds there are external and internal factors affect export performance. These factors can be divided into product factors and resource/commitment factors. Table (2. 1).

**Table (2.1) design foreign market entry mode decision**

EXTERNAL	INTERNAL
Target Country Market Factors	Company Product Factors
Target Country Environmental Factors	Commitment Factors
Target Country Production Factors	Company Resource
Home Country Factors	

Source :(Root, 1994)

Koch (2001) provides a model shows the main determinants which affect Internationalization process i. e. "market and Market Entry Mode Selection process" (MEMS). He suggested that All factors proposed to influence the entry

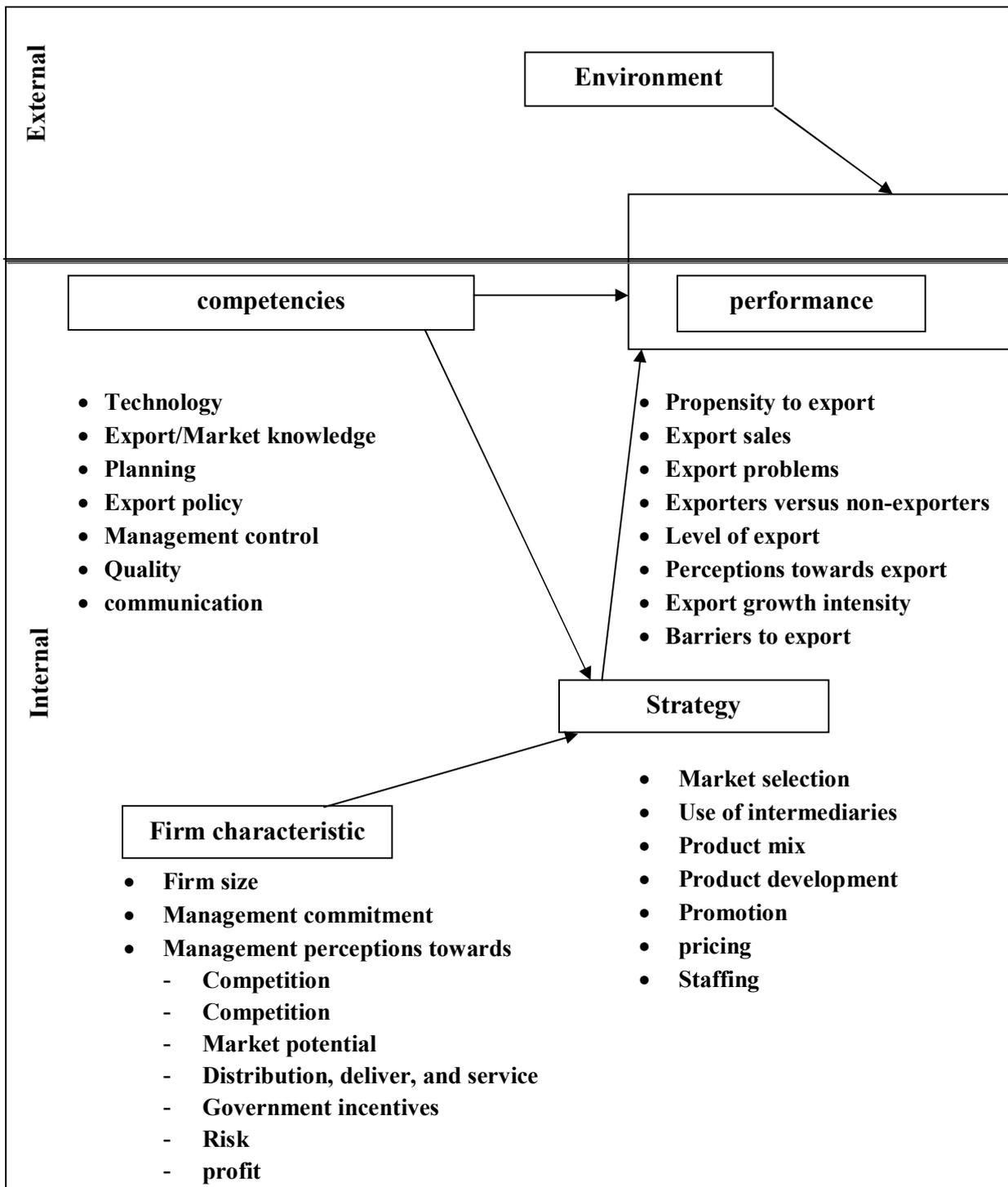
mode selection process fall into three broad categories: external, internal, and the mixed, internal/external category. Some of the proposed categories of factors may influence some others, adding to the complexity of the decision process. These are factors that derive from both environmental and company specific factors, and some examples are competencies and capabilities, and skills available for each firm.



**Figure (2.4) Market entry mode selection**

Source: (Koch, 2001)

(Aaby and Slater 1989) suggest a model for firm internationalization. The model explains the internal and external determinants that influence the firm export performance. They distinguish an export performance factor, three internal factors, and one external factor, the internal determinants are described in detail.



**Figure (2. 5) Aaby & Slater (1989) General model for assessing export performance and variable.**

Source: (Aaby and Slater, 1989)

Other researchers focus on the firm's attempts to identify and exploit export market opportunities. They have classified export stimuli into proactive and reactive (Johnston and Czinkota, 1982; Leonidou, 1988). In this context, proactive stimuli are those connected to the firm's aggressive behavior and deliberate search for export

opportunities (pull factors); whereas, reactive stimuli are those associated with the firm's reaction to changing conditions and reflect a passive attitude in looking for export opportunities, although possibly leading to an accidental or fortuitous export involvement (push factors). Moreover, Albaum et al. (1989) argue that a proactive or reactive export stimulus may originate from either the internal or external environment of the firm. Accordingly, they point to four different groups of export motives including: proactive/internal (e. g., unique products, managerial urge); proactive/external (e. g., foreign market opportunities, attractive export incentives); reactive/internal (e. g., excess production capacity, opportunity to reduce inventories); and, reactive/external (e. g., unsolicited (e. g., unsolicited orders from abroad, saturated domestic markets). (Katsikeas, C. S., S. L. Deng, et al, 1997).

Welch and Wiedersheim-Paul (1980) suggested determinants influence export performance as following:

- Domestic environment and location of the firm.
- Goals of the firm.
- Product line.
- History of the firm and extra regional expansion.
- Unique competence.
- Excess capacity.
- Competition.
- Government incentives.
- Fortuitous export orders or inquiries.

(Welch and Wiedersheim-Paul, 1980)

### Background Intervening Variables Dependent Variable Variables:



**Figure (2. 6) Proposed causal Relationships among the internal Determinants of export behavior**

Source: (Cavusgil and Nevin, 1981)

In this study we select out several determinants. Those internal determinants with special importance according to their constant repeated in literature review, and research will adopt the research article of (Zou & Stan 1998), as main model of the research.

### 2.7.1 Internal determinants:

Many studies attempt to identify the key determinant that contribute to the success of export performance, Comprehensive review of studies suggests number of internal determinants affect firms behavior in export marketing (Bilkey 1978). These internal determinants may include, Firm Characteristics, differential firm advantages, products (Wiedersheim-Paul, Olson, et al 1978). These internal determinants are the main factors affecting export, many other determinants and variable share the decision making for export, this study is focusing on selected general determinant that affect the export performance according to the classification of Zou and Stan (1998).

Zou and Stan (1998) classify the internal and external determinants of export performance, classify the internal determinants into three main determinants table (2.2), exporting marketing strategy, management, and firm characteristic, as following:

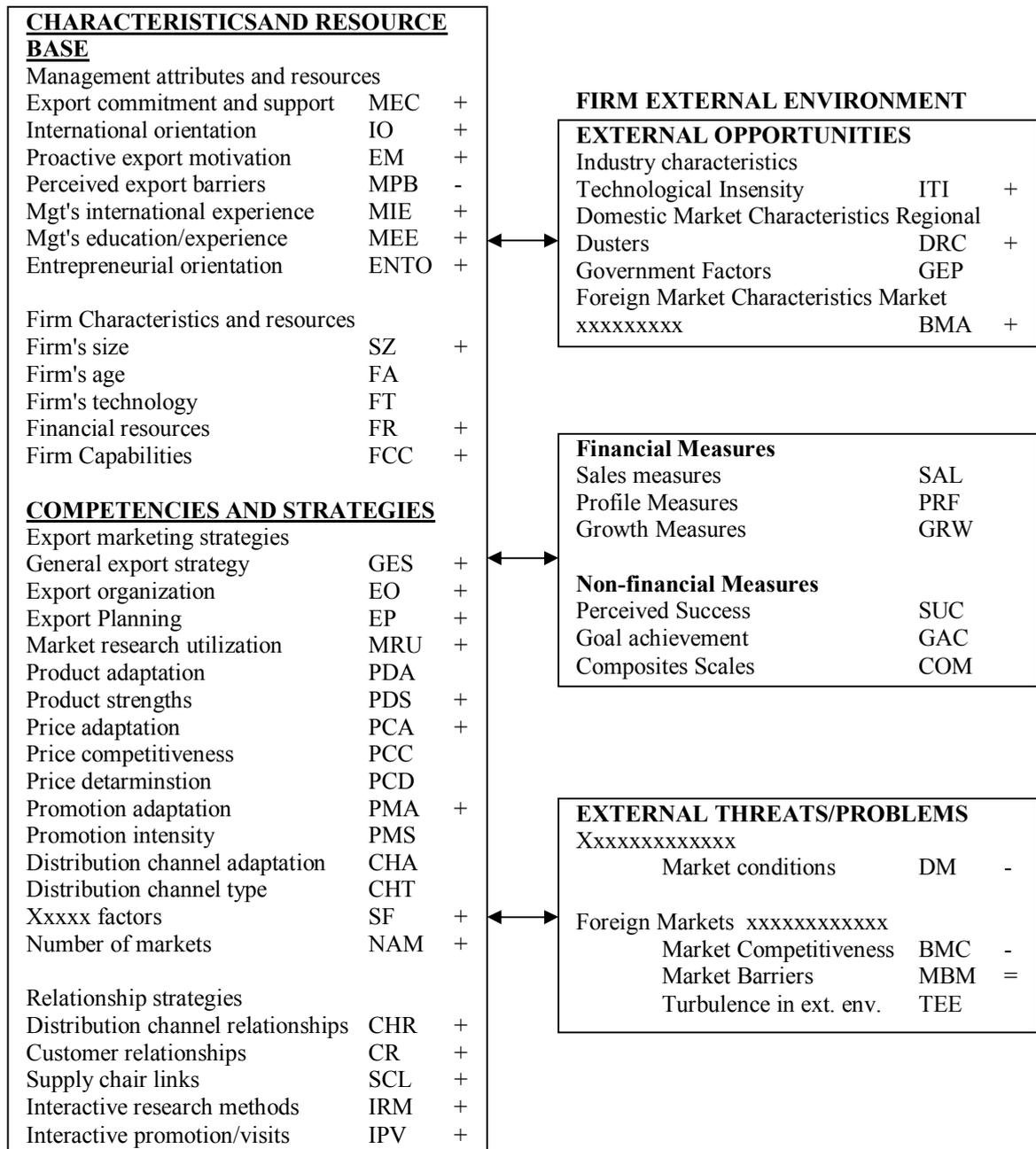
**Table (2. 2) Internal Determinants of Export Performance "Classification of the dependent and independent factors"**

<b>Controllable</b>	<b>uncontrollable</b>	<b>MEASURES OF EXPORT PERFORMANCE</b>
<b>Export Marketing Strategy</b>	<b>Firm's Characteristics and Competencies</b>	
General export strategy Export planning Export organization Market research utilization Product adaptation Product strengths Price adaptation Price competitiveness Price determination Promotion adaptation Promotion intensity Distribution channel adaptation Distribution channel relationships Distribution channel type	Firm's size Firm's international competence Firm's age Firm's technology Firm's characteristics Firm's capabilities/ competencies	Sales measures Profit measures Growth measures <b>Non-Financial Measures</b> Perceived success Satisfaction Goal achievement <b>Composite scales</b>
<b>Management determinants</b>		
<b>management Attitudes and Perceptions</b>	<b>management Characteristics</b>	
Export commitment and support MEC International orientation IO Composite scales COM Proactive export motivation EM Perceived export advantages MPA Perceived export barriers	Manag. international experience Manag. education / experience	

Source: (Zou & Stan, 1998)

In their research of the UK export performance Wheeler, C., Ibeh, K., & Dimitratos, P. (2008) provided a summary framework represents the main internal determinants influencing export performance. They blended the most determinants according to the previous relevant models, notably Aaby and Slater's (1989), Styles and Ambler's (1994), and Zou and Stan's (1998).

## FIRM INTERNAL ENVIRONMENT



**Figure (2.7). A Summary of Aggregate Findings on the Determinants of Export Performance Among UK Firms**

Source: (Wheeler, C., Ibeh, K., & Dimitratos, P. 2008)

### 2.7.1.1 Export planning:

Strategic planning entails the following field: "defining the business mission, objective, goal, analyzing internal strengths and weaknesses, analyzing external opportunities and threats, formulating goals, formulating strategy, formulating concern programs, implementing the programs, and gathering feedback and exercising control". (kotler and keller, 2006). Goals indicate what a business unit wants to achieve; strategy is a game plan for getting there. Every business

must design a strategy for achieving its goals, consisting of a marketing strategy, and a compatible technology strategy and sourcing strategy (Michael Porter, 1990)

Firm with strategic plan for internationalization with specific applicable Objective is more intended to export (Wiedersheim-Paul et al. 1978) Firms deliberate marketing strategy plan can achieve better performance in international markets (Cavusgil and zou, 1994) Firm export strategy help firm to enhance export performance (Aaby and Slater, 1989).

Strategy shapes export marketing plan (Lamont, 2002). The strategic marketing plan assign the target markets and the product proposition that will be offered, based on an analysis of the best host market opportunities, Successful firms may require to adopt a new view of how to design their strategies plan, (Kotler killer, 2006)

Business viewS export as higher profit than domestic business, (Simpson and Kujawa, 1974). As a result, firms plan its strategies to seek profits from exporting, Profit goals are usually indicative of active export behavior, (Leonidou, L. C., 1998). Profit plan is important to the firm that are at a stage of initial interest in exporting. Over the time, the firm's attitude towards growth will be influenced by the type of Strategy. Profit gained from export can influence the firm growth, The stronger the firm's motivation to grow, the greater will be the activities to find means of fulfilling export goals the greater will be the growth and profit for the firm (Hollensen, 2008).

Export plan is essential to achieve firm profit, Firm Profit can be determinant of the export. Firms exporters recognize only their unique product and possible profit advantages as motivator to export (Czinkota and Johnston, 1983), Aaby and Slater (1989) find that the importance of a profit motivation for export behavior is unclear. (Simpson and Kujawa, 1974) find that exporters had a higher profit perception and a lower risk than did the non-exporters. the export plan can help to increase the profit and decrease the risk.

#### **2.7.1.2 Export organization**

The firm considers Export Organization when it has a department/division responsible for exports, (Gertner, Gertner et al, 2007). Export organization intends to export must encourage staff to work in export effort directed to the international strategy of the firm (Gomez-Mejia, 1988). The export organization requires the active cooperation of all department and sections in firm. Cooperation emphasizes on design, schedules of export orders, fixing problems of machine, handle complex credit arrangements for foreign customers, documentation of overseas payment; and of the office to handle overseas orders. Firms must be able to engage the entire organization in export activities (Tookey, 1964).

Export Organization with high level of good performance tends to do well in international marketing, should be competent marketers, work to skimming profit, adapt the product and use the marketing mix, look for strategies to compete in foreign market and perceive the important of the international business. (Ogunmokun and Ng, 2004)

### **2.7.1.3 Market research utilization**

In intense global competition, marketing research are important to produce product with uniqueness, technical intensive product, and competitive advantage (Leonidou, L. C., 1998), Marketing research is important activity in facilitating exporting, the shortage knowledge of foreign markets is often a major obstacle in exporting to international market (Johanson and Vahlne, 1977). The firm needs to invest in marketing research, the information can be utilized in responding to customer need, This creates scale to R&D costs and to allow the use of advanced production technology to provide the product can satisfy the people needs in international market (Porter, 1990).

### **2.7.1.4 Export Marketing Strategy**

Firm strategy is important determinant influencing export performance (Aaby and Slater, 1989), The firm strategy can include assessment of key business policies and capabilities within the firm's control that are needed for export, Yip (1989) indicates that marketing strategy of the firm intend to export can assist firm to reduce the cost, improve quality of product and programing, enhance customer preference and increase firm competitive.

A global strategy is one in which a firm sells its product in many nations In a global strategy, a firm sells in many if not all of the nations that represent significant markets for its product. (Porter, 1990). Export marketing strategy is developed as firm responds to the global business. This process involves all aspects of the international marketing plan, including marketing mix for product, promotion, pricing, and distribution. (Douglas and Craig, 1989).

Michael Porter (1990) has proposed three strategies that offer clear starting plan for strategic thinking: cost leadership, differentiation, and focus.

- Cost strategy: The business works hard to achieve the lowest production and distribution costs so that it can price lower than its competitors and win a large market share.
- Differentiation strategy: Firm concentrates on achieving superior performance. Thus the firm seeking quality leadership, use best components, inspect them carefully, and effectively communicate their quality.
- Focus strategy: The business focuses on one or more narrow market segments.

### **2.7.1.5 Marketing Mix:**

The export marketing mix positively affects export performance (Madsen, 1989), Marketing mix elements; product, price, promotion, and place, is essential for internationalization. management must adjust strategy for each elements in the marketing strategy, a useful tool in this prospect is gap analysis method, in which firm estimate a potential sales by each sole market, and identify the segment for each individual market (Radebaugh et al, 2006).

The marketing mix decisions depend on product profile, distribution and availability in the market, Pricing, and promotion correlates with export performance. the following are some marketing policies:

### **Export marketing mix policies:**

1. Product adaptation.
  2. Acceptance of retailers' specifications.
  3. FOB/CIF quotations.
  4. Sterling quotations.
  5. Home trade price-plus.
  6. Level of sales promotion (last market).
  7. distribution through:
    - a. chain stores/multiples.
    - b. wholesalers/middlemen.
- (Amine Lyn S and Cavusgil S Tamer (1993))

#### **2.7.1.5.1 Product determinants:**

The process of export of defined product should start with Preliminary Screening, Preliminary screening involves defining the physical, political, economic, and cultural environment. (Cavusgil, 1985), Products can be described in different dimensions; e. g., degree of standardization, degree of complexity, and quality, (Wiedersheim-Paul, Olson et al. 1978), Products factors play crucial role in Export Performance (number, quality, design, New Product Characteristics, Relative Advantage, and, Product Age, adaptation) Many researchers attributed to product factors and its influence on export (McGuinness & Little, 1981; Cavusgil & Nevin, 1981), product Price Competitiveness has affect Export Performance (Bilkey,1985) product categories, product line (Adam, 1997), comprehensive product package (Wiedersheim-Paul, Olson et al, 1978).

Perhaps the most important concern of export market research is how to satisfy the needs of attractive foreign markets (Cavusgil, 1985), Product determines the success of the firm by the satisfying customer and challenge competitors, product brand that reflect the complex bundle of image in consumer mind related to the product image and its equity, international product brand is prepare for export to international market, global brand has the same name image and similar image and positioning through international market (Cavusgil, 1985). Product positioning refers to the perceptions or image that target customers have of a product or service (Johansson, 2009).

### **Product Mix**

**Product line:** A group of products within a product class that are closely related because they perform a similar function, A product line may be composed of different brands or a single family brand or individual brand that has been line extended, (Kotler. and Keller, 2006), These group of are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges (Kotler, P., & Armstrong, G., 2012).

An organization with several product lines has a product mix. A product mix (or product portfolio) consists of all the product lines and items that a particular seller offers for sale. A company's product mix has four important dimensions: width, length, depth, and consistency.

**Product mix width** refers to the number of different product lines the company carries.

**Product mix length** refers to the total number of items a company carries within its product lines. Colgate typically carries many brands within each line

**Product mix depth** refers to the number of versions offered for each product in the line

**Consistency of the product mix** refers to how closely related the various product lines are in end use (Kotler, P., & Armstrong, G., 2012).

These four product mix dimensions permit the company to expand its business in four ways. It can add new product lines, thus widening its product mix. It can lengthen each product line. It can add more product variants to each product and deepen its product mix. Finally, a company can pursue more product-line consistency. To make these product and brand decisions, it is useful to conduct product-line analysis. (Kotler, P. and K. L. Keller, 2006).

**Table (2. 3) Product Mix Pricing**

<b>Pricing Situation</b>	<b>Description</b>
Product line	pricing Setting prices across an entire product line
Optional product pricing	Pricing optional or accessory products sold with the main product
Captive product pricing	Pricing products that must be used with the main product
By-product pricing	Pricing low-value by-products to get rid of them
Product bundle pricing	Pricing bundles of products sold together

Source: adopted from (Kotler, and Keller, 2006)

There are no general formula for marketing mix, debate of the standardization or adaptation of the marketing mix program has been old one, in international business the product adaptation needed if the environment in the host market required the adaptation, meanwhile there is no difference between domestic market and international in general especially in the product that has international standardization. (Cavusgil, Zou, and Naidu, 1993)

### **Product Characteristics and Attributes:**

Product Specific characteristics such as design, quality and technical structure, were seen to influence the firm's export behavior (Cavusgil and Naor, 1987), Product

possession of a uniqueness is regarded to play a definitive role in enhancing exports, while product quality was viewed as important for the continuity of the export effort (Christensen et al, 1987).

Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by product attributes such as quality, features, and style and design.

### **Product Quality:**

Product quality is one of the marketer's major positioning tools. Quality has a direct impact on product or service performance; thus, it is closely linked to customer value and satisfaction (Leonidou, 1998), Firms that want to secure stable export

activities with high performance should offer a strong, high quality product, be cautious of selling at low prices (Madsen, 1989).

### **Product Style and Design:**

Another way to add customer value is through distinctive product style and design. Design is a larger concept than style. Style simply describes the appearance of a product. Styles can be eye catching or yawn producing Packaging involves designing and producing the container or wrapper for a product Labeling and logos can enhance a brand's positioning and Personality Labels range from simple tags attached to products to complex graphics that are part of the packaging. They perform several functions. At the very least, the label identifies the product or brand, (Leonidou, 1998).

Packaging is an important consideration when the product shipping to export, labeling design to attract attention to help product brand positioning, multi language need to explain to the customer the purpose of product and instruction of usage. (Keegan and Green, 2005).

**A brand** is a name, term, sign, symbol, or design, or a combination of these. That identifies the maker or seller of a product or service of one seller or group of sellers and differentiates them from those of competitors. (Kotler. & Armstrong, 2012). **Patented product** was also assumed to encourage engagement in export activities and secure business performance in international markets (Leonidou, 1998).

### **Uniqueness product:**

A firm intends to export has to produce product that are not widely available from international competitors or may have technological advances and should be differentiated, Unique product can certainly provides a sustainable competitive advantage and result in major business success abroad. superior products is more likely to receive enquiries from international markets because of the perceived competence of its offerings. (Hollensen, 2008)

**Product strength** affects export performance, product strength provide better satisfaction of customer needs. product strength increase firm's ability to find good agents/distributors on the international market. strong product enables the firm to attract better agents which again has a positive impact on Export performance. a strong product builds strong commitment in the firm itself which leads to better export performance. (Madsen, 1989)

Root (1994) states that highly **differentiated products** give firm a significant degree of export. export can reduce high value of unit transportation costs and high import duties and still remain competitive in a host country. high product differentiation favor is to export, while low differentiation product make marketing strategy more expensive. Technologically intensive products give companies an option and alternative mode of entry, especially license technology in the foreign target county. Products that require considerable adaptation to be marketed abroad favor entry modes like (branch/subsidiary exporting) or into local production. The product **complexity** and **differentiation** of the product decrease the cost of shipping, economies of scale, tariff. (Hollensenm 2001), qualities of the product affect the firm performance of export (Bruhno and Schilt, 2001). Possession of a unique product can helped firm to compete more successfully in international market. (Cavusgil and Nevin, 1981). Hollensen (2008) states that Product complexity, product differentiation, increase positively increase internationalization.

**Product adaptation** strategy affects export performance positively (Cavusgil and Zou, 1994; Leonidou et al., 2002; Zou and Cavusgil, 2002)

Product adaptation strategy can be defined as "a firm's consistent and planned activities to meet local consumers preferences and values " Generally, standardization appears more likely where the foreign market is most similar to the domestic market, while adaptation is preferred when markets are viewed as dissimilar (Cavusgil and Zou, 1994), This strategy is primarily determined by characteristics of the firm and external business environments (Cavusgil et al., 1993; Leonidou et al., 2002), if firm adopted international product strategy, this can leads to sales growth in local and international market, (Johnson and Arunthanes, 1995; Leonidou et al., 2002). adaptation strategy facilitates the sales growth, return on investment and profitability of firm (Zou and Cavusgil, 2002). Therefore, it is expected that export performance is influenced positively by product adaptation. (Cavusgil and Zou, 1994)

**Country of origin** plays an important role in exporting. The customer in international market has perception and attitude towards product in base the country of origin that can be positive or negative, as the firm is going to export, the Country of origin issue become relevant consideration. A country stereotype and reputation can represent advantage or disadvantage to competition in international market. (Keegan and Green, 2005), The impact of country of origin may be considerably more complex than is typically assumed, and that familiarity and other factors affecting information or experience with a product should be taken into consideration in addition to nationality and other demographic characteristics. (Johansson, Douglas et al., 1985)

Wheeler, Tagg and Taggart (2002) suggested a number of Product characteristics that influence export ,as shows in table (2.4) :

**Table (2. 4) Some variable of product variable influence export**

(Czinkota and Ronkainen 2007)	(Cateora, Gilly et al. 2011)	(Cavusgil 1985)	(McDonald, Tüselmann et al. 2002)	(Leonidou, L. C., C. S. Katsikeas, et al. (2002).
Product Functions	Brand name	Customer needs and desires	Firm's experience with product	Product Design
Constituents/Content	Feature	Local production, imports, consumption	Age of Product	Quality
Positioning	Packagig	Exposure to and acceptance of product	Extent of establishment with firm	Branding
Packaging (e. g., Size, Styling, Color)	Service	Availability of linking products	Extent of establishment with firm	Packaging/labeling
Brand	Standards	Industry-specific key indicators of demand	Extent of establishment with firm	Product adaptation
Durability, Quality	Style	Attitudes toward products of foreign origin	Product's technical complexity	Product advantage
Product Constituents/Content	adaptation	Competitive offerings	Training needs of sales force Of product	New/unique
Service, Maintenance, After Sale			Strength of product patent Product's unit price	Product/brand mix
Country of Origin		Functions, Attributes, Features	Product features	Customer service
			Degree of product uniqueness	Warranty

Source :Conceptualized by researcher

Finding in research literature indicates that unique or very sophisticated products, design, good product quality and patents were found decisively associated with success in exporting. Product uniqueness and innovation also proves its acceptance in the marketplace help to increase export success. (Kaynak and Kuan, 1993)

#### **2.7.1.5.2 Product Mix Pricing:**

Firm needs to act vigorous to achieve low-cost advantage. An exporter can offer its product in market at a lower price than its rivals (Porter, 1980). The strategy for a product's price is determined according to market mix. Empirical results show that distribution and communication capabilities positively influence low-cost advantage (Zou, S., Fang, E., & Zhao, S., 2003), In this case, the firm looks for a set of prices that maximizes its profits on the total product mix.

#### **2.7.1.5.3 Promotion:**

Firms can either adopt the same Promotion strategy they use in the domestic market or adapt it for each host market. Take advertising messages as example; some global firms use a standardized advertising theme around the globe. No doubt, even in highly standardized communications campaigns, some modification might be required for language and cultural differences.

Global firms often have difficulty crossing the language barrier, with results ranging from mild embarrassment to outright failure. In international promotion, the brand names and advertising phrases can take an unintended or hidden meanings when translated into other foreign languages. Some companies apply a strategy of communication adaptation, Communication adaptation is A global communication strategy of fully adapting advertising messages to local markets. (Kotler & Armstrong, 2012)

#### **2.7.1.5.4 Distribution Channels:**

An international company must take a whole-channel view of the problem of distributing Products to final consumer Channels of distribution within countries vary greatly from host market to another. There are big differences in the numbers and types of intermediaries serving each in host market and in the transportation infrastructure serving these intermediaries (Kotler & Armstrong, 2012). Different distribution systems prevailing in foreign domestic markets require serious adjustments to the firm's distribution strategy in each market (Leonidou, Palihawadana, & Theodosiou, 2011).

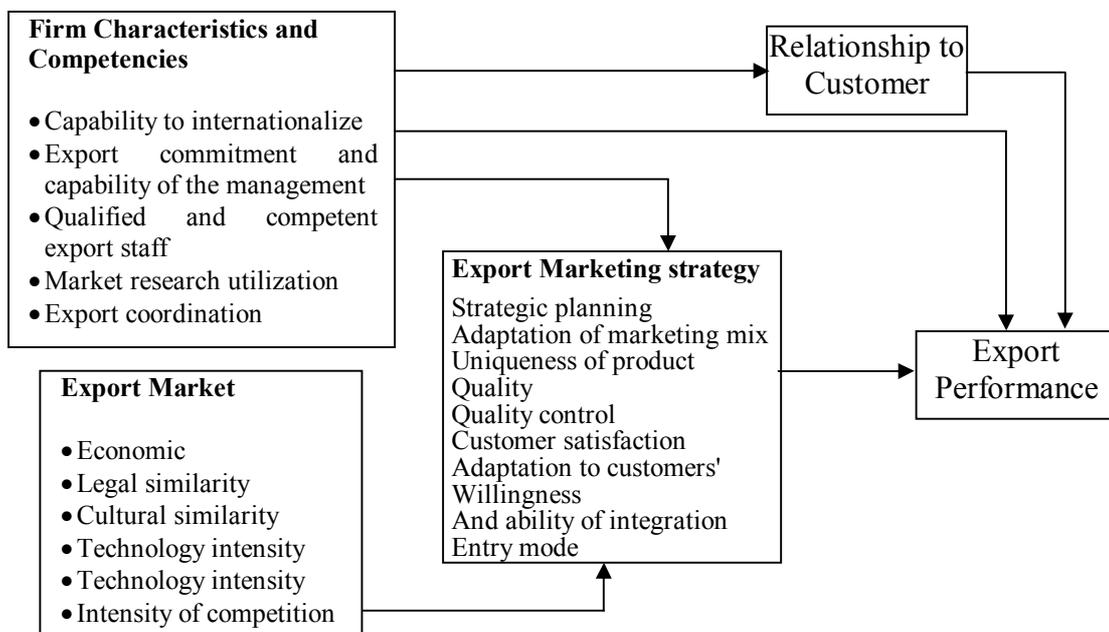
#### **2.7.1.6 Firm Characteristics:**

The firm characteristics are used here to explain its relation with the export performance, the study expect firm characteristics has influence on export, Researchers have identified firm specific factors according to various prospective, Export marketing researchers have consistently emphasis on firm characteristics that influence export motivation. The literature suggests that highly influential factors in the export decision initiation process include: firm size (Samiee,1990); firm differential advantages (Wiedersheim-Paul et al. 1978; Cavusgil et al. 1979; Bilkey and Tesar 1979; Cavusgil and Nevin, 1981), competitive advantages

(Cavusgil, 1994) production character (Wiedersheim-Paul et al. 1978; Johnston and Czinkota 1982; Diamantopoulos et al. 1990), production capacity (Weidersheim-Paul et al., 1978; Johnston and Czinkota, 1982), inventory surplus (Johnston and Czinkota 1982; Leonidou, 1988) management of export (Cavusgil and Nevin, 1981), firm size (Reid, 1984; Bonaccorsi, 1992), customer orientation (Cavusgil, 1994).

Wiedersheim-Paul, Olson et al. (1978) studied characteristics of a firm determinants that could have an effect on the pre-export behavior of the firm, out of several characteristics they have selected four determinant: goals of the firm, product line, history of the firm, and extra regional expansion (Wiedersheim-Paul, Olson et al. 1978).

Aaby and Slater (1989) divided firm characteristics into three categories. These include variables related to firm size, variables related to management export commitment, and management perceptions toward export variables. These characteristics as firm size, degree of export involvement, and exporting experience should be considered to have different degree on the export motivation, this depend on the significant differences in perceptions of the management of the firm (katsikeas and Piercy, 1993).



**Figure (2. 8) an operational model of the determinant of service firms export success adopted from**

Source:(Sichtmann, Griese, & Klein, 2007)

Zou. and Stan. (1998) consider the following elements as Firm's Characteristics:

- Firm's size.
- Firm's international competence.

- Firm's age.
- Firms technology.
- Firm's capabilities/competencies (Shaoming Zou and Simona Stan 1998).

Wheeler, Tagg and Taggart (2002), suggested a Firm Characteristics that influence export as following:

Firm Characteristics.

International competence.

Number of full-time employees.

Annual sales volume of firm.

Amount of firm's international experience.

Years of IB involvement of firm.

Number of foreign markets operated.

Resources for export development.

Commitment to venture.

Extent of careful entry planning.

Extent of management commitment.

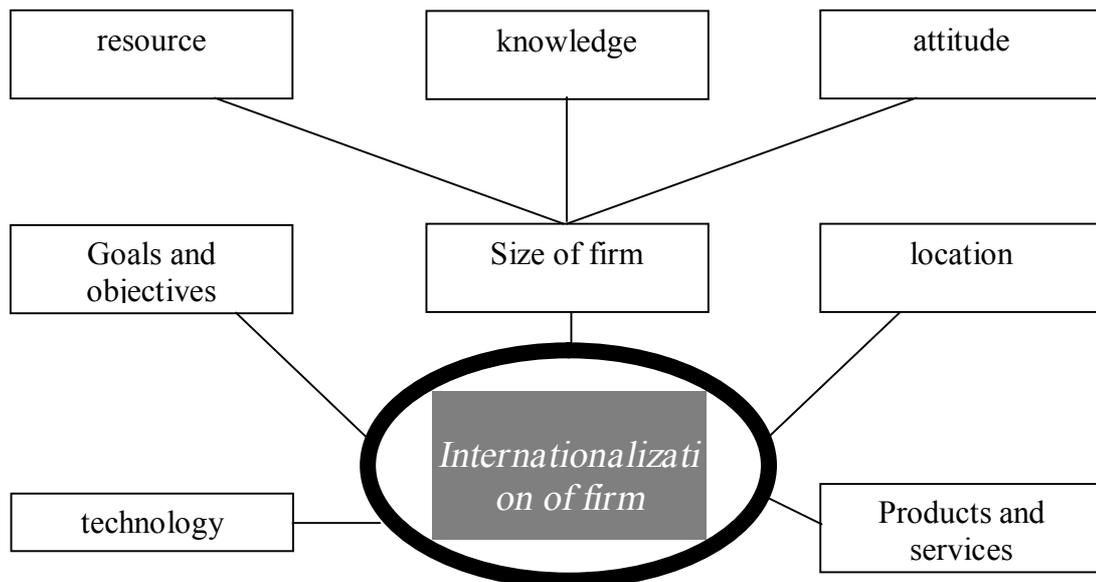
Extent of resource commitment.

International business intensity.

Firm's relative position in industry.

Percentage of sales from IB.

Percentage of profit from.



**Figure (2. 9) Factors influencing internationalization of the firm**

(Bradley, 2005: 56)

#### 2.7.1.6.1 Firm size and Age:

Samiee (1990) stated that firm size is an important determinant of export behavior. Her findings indicate that firm size generally has a positive influence on exporting activities. size has a positive relation to the export behavior of the firm, Large firms have more resources to export than small firm have. Studies by many

researchers (Czinkota and Johnston 1983). Cavusgil (1984) provide little support for the hypothesis of a strong relationship between firm size and export activity; Baldauf. Cravens, et al. (2000) provide partial support for their hypotheses "Higher export performers are the larger firms with somewhat less international experience", meanwhile Ried (1985) rejects the influence of firm size on export; (Czinkota and Johnston's. 1983) conclude that firm size is not relevant to export development (Reid 1985).

Firm size can be measured by the number of employees, (Samiee 1990), sale volume, number of product. (Eickelpasch and Vogel 2009), Other factors like firm age and firm size were similarly tested, and results indicate that younger and larger firms are likely to invest and export compared to older and smaller firms (Dueñas-Caparas, 2006). Root (1994) find that a company size is playing a critical factor in export, ultimately (Root 1994), states that Some studies report that export activity is positively related to the age of a firm, Firm age is measured as number of years that has passed since the firm was founded (Anderson, S., J. Gabrielsson, et al, 2004), Czinkota and Ursic (1984) find younger firms are much more favorably toward international marketing than older firms. They explained that younger firms are more favorably disposed toward international market to escape the domestic competition. (Czinkota and Ursic, 1984).

Some contrast regard to the effect of business experience on export behavior. One group of researchers suggested that younger firms are more interested in internationalization than older ones. The justification is that the founders find exporting the only feasible strategy available to increase sales and achieve growth, (Czinkota and Ursic, 1983). The other view that established companies are more likely to export, because of extensive experience in handling business operations and saturated home opportunities (Welch/Wiedersheim-Paul 1980;Leonidou, 1998).

**2.7.1.6.2 Firm capabilities and Competencies**

Firm Competencies is a major determinant which Influences export performance (Aaby And Slater,1989). Firm competencies can be expressed as export experience (Measured By Years of Exporting), Firm characteristics as firm size can be measured by annual sales volume (Dean, Mengüç et al, 2000), Export marketing capabilities influence export performance (Zou, Fang, & Zhao, 2003).

Competence is the "ability to create, gain access to, and coordinate tangible and non-tangible assets" Competencies have critical and general importance in the global business environment. Company possessing competencies is likely to increase it's the strategic flexibility involved in international business, (Koch, 1997).

**Table (2.5) Core global business competencies & capabilities**

Core competencies in global business
<ol style="list-style-type: none"> <li>1. Company ability to attract and retain people representing superior level of professional competence and deploy them optimally in the long term.</li> <li>2. Ability to obtain, analyze and use global business information faster and better than competitors, including those outside traditional market boundaries;</li> </ol>

<ol style="list-style-type: none"> <li>3. Ability to adapt to, and operate effectively in, a number of business environments of foreign countries;</li> <li>4. Ability to attain and sustain a strategically meaningful, leading global position in product and/or process innovation in their competence groups;</li> <li>5. Ability to implement an effective flexible long term sourcing strategy capable of sustaining cost advantage over most global competitors; and</li> <li>6. Ability to effectively leverage company competitive advantages through global strategic alliances.</li> </ol>
Core capabilities in global business
<ol style="list-style-type: none"> <li>7. Efficient and reliable evaluation of foreign markets</li> <li>8. Empathy with foreign cultures.</li> <li>9. Establishing foreign contacts.</li> <li>10. Maintaining customers' trust.</li> <li>11. High transactional efficiency.</li> <li>12. Selecting optimal market entry mode.</li> <li>13. Smooth and efficient management of the overseas based operations.</li> <li>14. Ability to conceive and negotiate mutually acceptable solution of business problems. Generating and sustaining high level of customer confidence in company professional efficiency.</li> </ol>

Source: (Koch, 1997)

Competitive advantage affects positively export. It needs certain resources and capabilities that are uniqueness, and it can present an offer to the market that provides more value to its customers than competing offers (Barney, 1991) In international business competition. Firms need not be confined to their domestic market. They can compete with global strategies in which activities are located in many countries. Firms must pay particular attention to how global strategies contribute to competitive advantage. Firms can enhance their competitive advantage through competing in international market (porter 1990). In global business competitive advantage is essential for internationalization process. Firms not only respond to globalizing markets, but also proactively act on opportunities to acquire resources and sell outputs wherever in the world they have the greatest value. (Oviatt and Mcdougall, 2005)

Firm performance can affect the export performance, firm performance is the firm practice to translate business strategies into deliverable results. Strategic performance measurement systems combine financial, strategic, and operating business measures to gauge how well a company meets its targets (Ittner, Larcker et al. 2003). Firm performance is positively related to its level of exporting activities and it is gradually improved thought export process development. (Lu and Beamish 2001) high performance firms are found to be among those exporters with a greater percentage of export (Kaynak and Kuan 1993).

Total quality management (TQM) is an approach in which all of the company's people are involved in constantly improving the quality of products Features are a competitive tool for differentiating the company's product from competitors' products (Kotler, & Armstrong, 2012).

Firm has a competitive advantage that may include patents, brand names, trademarks, intellectual property, licenses, and technical characteristics of the firm.

could rise firm ability to export to international market (Kirpalani 1990), Image support requirements are essential to compete in international market, In some industries, companies want to build and sustain the its image of as a leading global supplier. This requires licensing their inventions to increase their role as global providers of newest technology, and strong brand (Koch, 2001).

#### **2.7.1.6.3 Firm technology:**

Firm technology influence export, "High-touch" products are more likely to enter foreign markets through low-control entry modes such as export or indirect exporting, while "high-tech" are likely to enter foreign markets through high-control modes such as wholly owned subsidiaries or joint ventures. (Bradley and Gannon 2000), Advanced technology has often been cited in literature as one of the factors that plays a key role in the firm's internationalization venturing. High-investment costs of advanced research and technology force these firms to look for foreign markets in order to amortize the investment across a broader market base. (Elena & Keith. 2011).

Technology is associated with success in export markets, firms owning sophisticated technology are in a position to have efficient manufacturing processes and high quality product products (Cooper and Kleinschmidt, 1985). The impact of technology affect the whole industry, it influence on export performance. Firm uses technology to attain competitive advantage. Firm of high technology seem more exporting oriented (Christensen et al, 1987). Sophisticated technology facilitates the export. (Bradley and Ganno, 2000), Researchers have found that level of technology influence the export performance (Anderson, Gabrielsson, et al. (2004), Reid (1986) found very little relationship between technology and export performance.

#### **2.7.1.6.4 Firm Resources**

Financial resources are essential for initiating the export. Exporting requires substantial fund for additional production equipment, raw materials, consultation, and labor, fund is required for marketing in foreign market, lack of financial may hinder establishing export marketing programmers, such as marketing research, product adaptations, distribution and promotions, all of which can negatively affect export performance. (Leonidou, 1998)

A firm's physical resources are important antecedents of performance and to gain competitive advantage, because it places primary emphasis on the intangible skills and resources of the firm (Porter 1996; Barney, 2001), Resources of the firm, like capital, financial, human and technological resources influence firm export, Limited resources can limit the firm freedom to decide to export (Bruhno and Schilt, 2001), Root (1994) states that the more abundant a company's resources in management, capital, technology, production skills and marketing skills, numerous resource encourage export. In opposition, a firm with limited resources is constrained to comply with export demand, ultimately, Resources utilization must be joined with a willingness of the management to export. (Root, 1994), Schlegelmilch and Crook (1988) find that the export intensity is positively related to the differential advantages and resources of the firm(Schlegelmilch and

Crook, 1988). The larger firm tended to be more successful in exporting. It had the advantage of greater financial resources enabling it more easily to give the longer credit required by export customers while small firm find it too costly to offer long time credit (Tookey, 1964).

Bradley (2005) classifies the potential resources of the firm as; tangible resource and Intangible resource:

**Table (2. 6) Potential resources of the firm as; tangible resource and Intangible resource**

Firm Resources	
Tangible Resource	Intangible Resource
Financial	Cultivate good supplier
Physical	Recruit good worker
Legal (Trade, Marks & Licenses)	Respond to challenging competitors
Human	Competitive advantage
Organizational	Ability to reduce cost
Informational (E. G. Consumer And Competitor Intelligence)	Ability to differentiate itself
Relational (E. G. Supplier And Customer Relationships)	Attractiveness of the industry in which firm competes.

Source: Adopted from Bradley (2005: 34-36)

Johanson and Vahlne (1977) found that firm resources enhance the internationalization process. Resources employed in development and production of products for international market constitute a commitment to that export. The more specialized the resources are to the specific market the greater is the degree of commitment of the firm to export (Johanson and Vahlne, 1977).

### **2.7.1.7 Management determinant:**

Management characteristic is expected to have a significant role on exporting performance. (Schlegelmilch, 1986), Koch (2001) states that there is a significance role of management characteristic in involvement for the firm in international business and export, manager perceptions is the way think towards export, their experienced and thought, determine the decision of export process. Decision maker is important in this issue. The number of manager and employees involved in decision making plays critical rule, depending on its management style, and relevant international experience. (Koch 2001) management's with proactive. Motives more success in export. (Baldauf, Cravens et al., 2000)

Bradley (2005) enumerated the management determinants that represent the key success to internationalization as following:

- Attitudes towards company growth.
- Cognitive style of managers.
- Managerial aspirations for internationalization.
- Commitment to international markets.
- Managerial expectations and internationalization.
- Motivation to internationalize. (Bradley 2005)

Bruhno and Schilt, (2000) summarized the critical competencies of management influence the export as following ; International experience of managers, general ideas on how the managers should pursuit their international strategy, the competencies in the international market, the ability of the management to develop these competencies, the language skills amongst the management, the knowledge of different marketing channels and their pros and cons. (Bruhno and Schilt, 2001)

Shaoming and Simona (1998) suggested a number of elements that most characteristic of management related to export as following:

**Management Characteristics:**

- Management Attitudes.
- Export commitment.
- International orientation.
- Proactive export motivation.
- Perceived export advantages.
- Perceived export barriers.
- Management international experience.
- Management education/experience. (Shaoming Zou and Simona Stan, 1998)

**2.7.1.7.1 Managerial Attitudes Toward Exporting:**

Management's perception regarding the effects of exporting plays a major role in the exploration of the management attitudes towards exporting, The attitudes held by the management of a firm have been found to significantly affect the export behavior of a firm. (Bilkey and Tesar, 1977)

Managers of firms that exported a large percent of their total sales is very favorable expectations regarding the effect of exporting on the firm growth compared with firms that exported a small percent of their total sales. (Cavusgil. Bilkey. & Tesar, 1979)

Managers often become aware of the opportunities in international market by travelling to other countries where they can discover new business opportunities, manager with previous experience of internationalization will there for try to employed his experience in the company. (hollensen, 1998)

**2.7.1.7.2 Perceived barriers:**

Perceived barriers to exporting were found to be meaningful for developing exporting firms. Management expectation of certain of the perceived barriers tended to differ systematically by export stage. Management perception is varied according to export stage; that is, when firm develops its advanced export stage, it greatly perceives these considerations as a barrier to exporting:

- Difficulty in understanding international business practices.
- Different product adaptation and standards and consumer standards in foreign countries.
- Difficulty in collecting money from foreign markets.
- Difficulty in obtaining adequate representation in foreign markets. (Bilkey. & Tesar 1977)

### **2.7.1.7.3 Management risk attitudes:**

The level to which the company will accept various international business risks depends on the management risk attitudes. Risks may be estimated by using appropriate method. The perception of risks associated with certain countries may influence management decisions considerably (Johansson, 1997). The less risk averse the management, the more likely it is for the company to select countries that show greater long-term prospects and promise to enhance export (adam, 2001).

Some scholars adopted the view that although export activity is characterized by higher risks and costs than domestic business, foreign markets might contribute profitable alternatives for many companies (Simpson and Kujawa, 1974).

Individual human decision makers are risk averse, that is, manager tends to take decision depending on certainty rather than decision depending on lack information or depending on gambling. Attitudes toward risk are usually related to culture individuals dimensions, personality, motivation, mood, and behavioral. (March and Shapira, 1987)

The amount of risk the management is willing to take when initiating influences the success of export. Export is considered the least risky comparing to other entry mode like wholly owned subsidiaries or production facilities, which involves the most risk, due to the heavy resource committed. (hollensen 2001), The level of risk will depend on the context of the management perception associated with individual experience and education. (Koch, 2001)

Simpson, & Kujawa, (1974) enumerated a variety of perceptions of managers regarding risk and cost/benefit expectations, as well as several managerial risk "characteristics associated with exporting. These factors are:

1. Perception of risk in the export market vs. risk in the domestic market.
2. Amount of international travel.
3. Level and type of education.
4. Expropriations.
5. Foreign exchange and related controls.
6. Communication barriers.
7. Profit perception, domestic vs. export.
8. General cost perception; domestic vs. export, plus specific cost variables including:
  - a) executive time
  - b) packaging
  - c) insurance
  - d) clerical time
  - e) product adaptations
  - f) shipping (Claude and Kujawa 1974)

Aaby and Slater (1989) found that managers of firms which have an international vision, favorable perception and attitudes toward exports, is willing to take risk and has the capacity to engage positively in export activities is likely to lead a company to export success. In order to reduce risks, managers need to know which variables influence their export performance. The higher risk taking propensity results in better export performance.

#### **2.7.1.7.4 Management commitment:**

Export commitment is a managerial mindset in which exporting is deemed to be of fundamental importance in generating the present and future growth of the firm. Export commitment will be significant, in which it enhances exporting. Management commitment link the strategic planning orientation. The greater the commitment, the greater the management is willingness to allocate firm resources to export activities. This will include the dedication of specific resources to achieve and execute of export plans. The result indicates a positive relationship between export commitment and export planning orientation. (Lukas, Whitwell et al., 2007)

The concept of market commitment is assumed to contain two factors ; the amount of resources committed and the degree of commitment. The amount of resources could be operationalized to the size of investment in the market (marketing, organization, personnel, etc.), while the degree of commitment refers to the difficulty of finding an alternative use for the resources and transferring them to the alternative use. (Hollensen, 2008)

A high level of commitment can be a key to success once the firm has entered the foreign market (Leonidou, Katsikeas et al, 2007), Larger and more experienced firms appear to be more committed to international operations. (Hoang, B. (1998).

Root (1994) states a high degree of commitment means that managers will select the entry mode for a target country from a wider range of alternative modes of entry than managers with low commitment. Therefore, a high commitment management more likely affects export performance. (root 1994). Management commitment is necessary in order to build the distribution network and information channels indispensable for the firm to engage in the export learning process that improve the export performance. (Solberg, & Olsson, 2010)

The aspect of management to export refer to the amount of resource committed. This refers to the amount assigned to marketing, investment in activates to export, employ individual and other functional area, information gathering of the target markets, and planning marketing strategy for export. The management in the firm has to devote financial, and human resource, to concentrate their attention on exporting performance. The aspiration and ambition of the manger play important role in determining the management commitment. (Bradley, 2005)

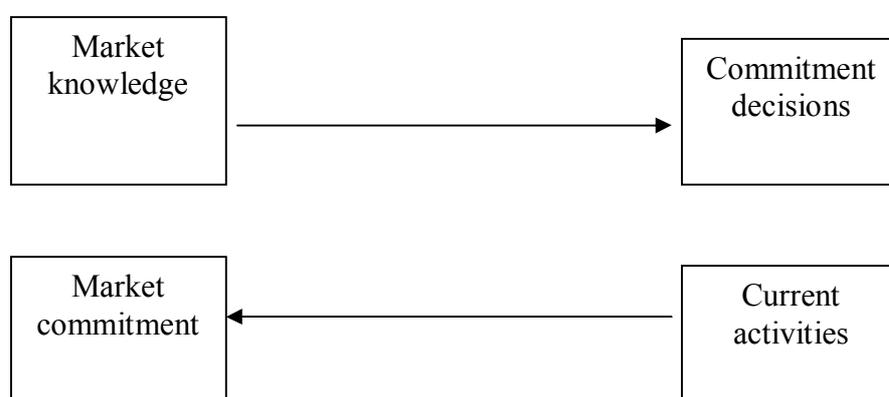
Aaby and Slater (1989) conclude that export success is strongly related to top management commitment in some form or another, past performance is very likely to shape the degree of commitment to exporting, A firm's commitment to exporting is expected to increase when managers have achieved past performance goals. It is important to examine whether past performance levels are of large, little or no consequence to the firm's international commitment, firms exporting to more competitive environments more committed to their export operations. Firms operating in the most developed markets are under constant pressure to be committed to exporting activity.

There was a significant amount of human resources involved in the exporting activity There was a significant degree of management commitment to exporting

There were more financial resources for exporting than those used for the domestic market. (Lages and Montgomery, 2004)

Dean, Menguc et al. (2000) concluded in their research, an important barrier for New Zealand exporters might include management commitment to exporting and an important marketing strategy might include "pro-activeness in choosing an export market".

Johanson and Vahlne (1977) have developed a model of firm internationalization process. The model lights particularly on the gradual process of internationalization and links between using knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets. The basic mechanism of internationalization state aspects contain two states: Market Commitment, market Knowledge and Commitment decision.



**Figure (2. 10 )The Basic Mechanism of Internationalization-State and Change Aspects**

source: (Johanson and Vahlne, 1977)

#### **2.7.1.7.5 Management International Orientation:**

Company strategic orientation reflects management experience, values and attitudes, orientation increases, or reduces, or eliminates company interest in the progress of internationalization, It determines company behavior or collaboration with their competitors. It is also likely to strongly influence the process of business internationalization. (adam, 2001), International orientation also vary markedly from one country to another. The international orientation of the decision maker is perceived as being the most important of personal characteristics. Individual with a high degree of international orientation will have a higher probability to understand the international business and they will be favor the export (Weidersheim-Paul et al., 1978). Other researchers find that; Key Decision-Maker Characteristics plays crucial role in a firm's export involvement and commitment and it depends on their international orientation (Bilkey and Tesar, 1977; Cavusgil and Nevin, 1981), dichtl, koeglmayr et. al (1990) find that as many as one-third of the small and medium sized firms with a primarily domestic focus in their country could be turned into successful exporters (Dichtl, Koeglmayr et al, 1990).

Dean. Menguc & Myers. (2000) find that the proactive firm has orientation by identifies and developing markets and customers needs, The proactive firm is also more

likely to be service oriented than are reactive firms. Proactive firms “world orientation” was found to be associated to both higher export growth and level of export.

Narver. and Slater (1990) classified orientation into three behaviors components; customer orientation, competition orientation, and inter-functional orientation. The first two concern with activities of collecting information and the third one concerns with activities of firm to intend to create superior value to customers. The orientation towards the management profitability is found to be positive.

**Table (2.7) Market orientation**

Customer orientation	Competition orientation	Inter-functional orientation
Customer commitment	Sale people share competitor information	Inter-functional customer calls
Create customer value	Respond rapidly to competitors action	Information integration in strategy
Understand customer needs	Top management discuss competitors strategies	All functions contribute to customer value
Customer satisfaction objective	Target opportunities for competitive advantage	Share resources with other business units
Measure Customer satisfaction		
After sale service		

Source : Conceptualized by researcher from (Narver. and Slater ,1990)

Jaworski and Kohli (1990) define Market orientation as Aeries of market information handle including information generation and dissemination, shared interpretation, organization responsiveness, They argued that market orientation comprises number of components:

- Information generation.
- Information dissemination, and
- Shared interpretation.

Day (1994) "also contributes a broad study of the barriers to market orientation. He argues that the processes of market sensing and customer linking are the most distinctive capabilities of market oriented", organizations, and the lack of such capabilities impedes market orientation development. researchers suggest that change initiatives geared toward the development of market orientation must recognize and confront negative organizational behaviors (such as conflict) and identify and foster positive behaviors (such as communication). (Lloyd. Piercy. 1999)

#### **2.7.1.7.6 Ownership, knowledge, experience, education:**

Management and the owner of the firm influence the export. Management specific knowledge of marketing operating in a international business facilitates the internationalization process. Their experience and market knowledge will reduce the fear of internationalization in certain countries. Their experience may also dissuade the organization of competing in a certain market. This knowledge will be invaluable to the organization in their internationalization process to select the proper country, and will minimize risk and uncertainty. (Madsen and Servais, 1997), concerning management capability to go internationalization, A major problem seems to be

language Proficiency and the availability of qualified personnel. (Dichtl, Koeglmayr et al, 1990) management graduated from a well known foreign educated institution are less likely to be dissuaded from international market, and will generally possess a greater experience they can utilize to enter in international market. (Chetty and Campbell-Hunt, 2004)

#### **2.7.1.7.7 International experience:**

Management international experience for international market exists in the marketing literature as a driver in a firm's internationalization. Management with international experienced are likely to seek internationalization of their firm, whereas Management with less experience are unlikely to do so, Management international experience are more likely to identify strategic markets to export, respond to changing international market environment, Experience in international operations enables firms to select better export markets, formulate suitable marketing strategy and take advantage of the comparative advantages of their company (Chih-Wen, 2011). Personal visits to export markets is a valuable tool for improving export (Leonidou, Katsikeas et al, 2002). Most studies implicitly assume a direct correlation between duration of export activities and experiential knowledge accumulated in the internationalizing firm (Sharma and Blomstermo 2003), Knowledge experience more effective to improve export than Information provided by public and private institutions (Denis and Depelteau, 1985) firm with extensive experience appear to has more aggressive strategy in market (Hoang, 1998).

Johanson and Vahlne (1977) find that the relevant experience of a firm concerning specific markets affects both business knowledge and institutional knowledge, thus; firm previous specific experience in one country can affect internationalization process in other countries. Their results show that Swedish managers feel that a deficiency in knowledge of language is a problem in the internationalization process of firms. the higher perceived cost of the internationalization process resulted from lack of knowledge (Jan Johanson et al, 1997).

Cunningham, and Spiegel (1971) selected a number of variable related to Management Characteristics that influence the export

- Personal visits to export markets.
- Use of overseas agents.
- Overseas distribution.
- Facilities.
- After-sales service.
- Market research.
- Quality and design of product.
- Proficiency in foreign.
- Language (s).
- Advertising.
- Overseas Exhibitions. (M. T. Cunningham, R. I. Spiegel, 1971)

Hambrick and Mason's (1984) in their study "upper echelons perspective on organizational outcomes", emphasized on observable top managerial characteristics that affect the decision making in the firm. Examples of such characteristics are age,

tenure in the organization, functional background, education, socioeconomic roots, and financial position. They emphasized on background characteristics, rather than on psychological dimensions.

Reid (1981) found a number of variable of individual antecedents character influence export such as; type and level of education, foreign nationality, ability to speak foreign languages, number of foreign travel, was born abroad, lived abroad or worked abroad, attitudes, and preferences concerning foreign markets. These variables are likely to be associated with the exporting decision maker's and affect the way the decide to exercise export.

**Table (2.8) Some variable of management characteristics**

variable	source	variable	source
Proficiency in foreign languages	(Cavusgil and Naor 1987)		
age group	(McConnell1979; Ursic and Czinkota 1989),	foreign nationality	(Reid 1981)
educational background	Schlegelmilch 1986)	ability to speak foreign languages	(Reid 1981)
level of education	reid (1981).	Age of decision-maker	(Cavusgil and Naor 1987)
professional experience	(Reid 1983		(Cavusgil and Naor 1987)
foreign country exposure	Reid 1983	Type and extent of education	(Cavusgil and Naor 1987)
managerial risk tolerance (attitudes, and behavior)	(Wiedersheim-Paul et al. 1978)	"International orientation"	(Cavusgil and Naor 1987)
quality and dynamism	(Bilkey and Tesar 1977)	Tolerance for risk	(Cavusgil and Naor 1987)
perceptions of costs and profits in overseas markets	Roy and Simpson 1981	Aspirations for growth and profits	(Cavusgil and Naor 1987)
extent of foreign travel	(Reid 1981)	Expectations of risk in exporting	(Cavusgil and Naor 1987)
manager spent abroad		Perceived Attractiveness of Exporting	(Cavusgil and Naor 1987)
Staff visiting overseas markets	Tookey, D. A. (1964)	Expectations of profits in exporting	(Cavusgil and Naor 1987)
overseas trade fairs	Tookey, D. A. (1964)		

Conceptualized by researcher

## **2.8 Palestinian Pharmaceuticals Industry:**

### **Overview of the country**

Palestinian population in Palestinian Territory (West Bank and Gaza WB/G) was estimated around 3. 851million (PCBS,2004), Population aged (0-14) years was estimated at 45. 8% of the total population in the Palestinian Territory. Around 1. 4 million Palestinians are concentrated in an area not exceeding 365 square kilometers. Most are Palestinian refugees forced to leave their villages and towns that were occupied in 1948. It is expected that this number will increase greatly due to the high

natural increase characterizing Palestinian society. The main economic indicators show that the Gross Domestic Product for the West Bank and Gaza Strip in 2003 is 4. 011 billion U. S. dollars, Economic deterioration in the Palestinian society is a result of Israeli measures imposed. (PCBS. 2004).

The consecutive Israeli policy of destruction of the productive Palestinian sectors including the exports sector resulted the decline in the value of exports by 17% in 2002 comparing to 1999, which drop to 241 million dollars. (PCBS. 2004) This context can explained the impact of Israelis continued occupation of Palestinian lands, that caused deterioration of the Palestinian economy, human crisis, social decline, destruction of ordinary life. (Roy,2004).

### **2.8.1 Overview of the Palestinian Pharmaceutical Sector:**

The History of the Palestinian Pharmaceutical Industry PPI started in Late 1960s, Palestinian Pharmaceutical commenced its work in difficult situation it can be considered unique in terms of its innovation and development when compared with other Palestinian industrial sectors. The industry in Palestinian territories "west bank/gaza" WB/G was established just after the 1967 War as a result of the isolation of the West Bank from the rest of the Arab World. Before the 1967 War, all pharmaceutical products were imported from foreign companies via importers in Jordan for west bank or from Egypt to distribute in Gaza strip. After 1967 war, the borders were closed, thus preventing the import of any products from Jordan and Egypt. The only products available were either produced in Israel or foreign product imported through Israeli agents. (Abu Alia, 2007)

Due to this difficult situation and the urgent needs for pharmaceutical product, Palestinian pharmacists have started to prepare some drug in their pharmacies, nine pharmacists established small laboratories to manufacture simple products. At a later period, these labs merged to established new companies. Afterward, another new companies were founded. (Abu-Hijleh, 2006), In the mid-nineteen seventies (1970s) the number of pharmaceutical firms reached to nine 9 firms. (makhool, 1999), therefore, these nine laboratories merged to become three larger firms, Jordan Chemicals in Beit Jala, West Bank/Gaza Medical Company in Ramallah, and Jerusalem Pharmaceuticals in El-Bireh. High demands encouraged New companies to enter the field, including "Balsam" Company in 1972 and Birzeit Company in 1973. After five years Eastern Medical Company and Gama merged, Pharmacare company was established in 1985 in Beitunia, and Megapharm in Gaza In 1993. "Birzeit Pharmaceuticals Company merged with West Bank/Gaza Medical Company and in early 1995, Jerusalem Pharmaceuticals Company merged with Balsam Pharmaceuticals Company". The objective of these mergers was to raise the standards of the pharmaceutical industry and help meet international standards in pharmaceutical manufacturing. (massar, 2002)

**Table (2.9) : local pharmaceutical manufacturers firms**

No.	Company	Location	Year of established	Status
1	Bet Jala (Jordan Chemicals)	Bet Jala	1968	
2	Jerusalem Pharmaceuticals	Al-Bireh	1969	balsam Merged with (2) 1995
3	Eastern Chemical Company	Al-Bireh	1970	
4	Birzeit Pharmaceuticals Company	Birzeit	1973	Birzeit-Palestine Pharmaceuticals merged with (4)
5	Gama	Beitunia	1973	stop

6	Pharmacare	Beitunia	1986	
7	Al Razi Chemical Co.	Hebroun	1988	
8	Medical Arab Supply	Gaza	1981	stop
9	Middle east pharmaceutical and cosmetics laboratories Co. Ltd. (Megapharm)	Gaza	1993	
10	AL-Jaleel Pharmaceuticals Company	Al-Bireh	2007	stop

Source (BPC 2012; Adili, 2009; obeidallalla, 2000) prepared by researcher with amendment

## 2.8.2 Pharmaceutical Registration

Ministry of Health MOH has the responsibility of registration and monitoring pharmaceutical industry in Palestine. previously the Israeli occupation relied on the drug policies and procedures of the Israeli ministry of health plus mix regulation in West Bank and Gaza Strip. In the West Bank Jordanian Public Health Law No. 43, 1966, and the Jordanian Pharmaceutical Association Law No. 10/57". In the Gaza Strip, "the Egyptian Public Health Law 21/41. 1967 were Imposed (Obeidallah et al, 2000). Palestinian Authority Imposed health act number (20) in 2004 to governing pharmaceutical activities. Palestinian health act Number (20) came into force on 2004 ( MOH. 2011).

### 2.8.2.1 Drug registration requirements:

In order to obtain a licence for manufacturing pharmaceuticals and cosmetics, companies are required to obtain a license to manufacture pharmaceuticals in Palestine, for either domestic sale or export, the Prerequisites for product registration are:

- Company must first obtain approval from the Ministry of Industry and Commerce, accompanied with an economic feasibility study.
- To complete an application form to obtain clearance for the line of manufacturing concerned.
- To submit an application to acquire a quality control certificate.
- To provide sufficient samples for three analyses of both the finished and the active ingredients of the products to be manufactured. (Obeidallah, et al 2000)
- Company has to obtain approval from Drug Quality Assurance and Registration Division for the Plant Master File. The factory design must comply with GMP specifications
- when all the legal and technical requirements have been comply with the health act, the factory will be granted a manufacturing licence by the MoH. (Obeidallah, et al 2000)

### 2.8.3 Quality and Good manufacturing practices (GMP):

Implementation of GMP in the Palestinian pharmaceutical industry started in 1986, under the supervision of the Institute for the Standardization and Control of Pharmaceuticals in Jerusalem. According to Israeli standard, a guide to GMP standard was prepared in Arabic In 1992, depended mainly on the European Community guidelines, and the Israeli Orange Guide, until 1999, no local company has been certified as GMP- compliant. but, some company are believed to be very close (Obeidallah et al 2000). The union of pharmaceutical industry carries out

support program including technical assistance and training to help pharmaceutical industry to comply with GMP. It implemented program that ensured all members were ISO 9001-2000 certified, the compliance with GMP will increase the competitive of products (Khoury, 2004)

Currently, all six companies are ISO-9000 certified while five are ISO-14000 certified. All Palestinian pharmaceutical companies are engaged with GMP development programs, according the international WHO guidelines. The Palestinian Ministry of Health adopted the Arab Guidelines on GMP for pharmaceutical products in 1999 and for regulations to manufacture drug products in 1995. The regulation is depend mainly on the WHO regulations on GMP. The Ministry of Health the Drug Registration and Inspection Department is in the process of guiding the pharmaceutical companies to enable them be certify as qualified companies. The Ministry aim is planning to implement the procedures so it will be able to grant GMP certificates to the companies. In meanwhile some companies are planning to apply for the European and later the American FDA-GMP certifications in the future. (Abu-Hijleh, 2006)

#### 2.8.4 Production and profitability

The pharmaceutical industry productivity depends on human resources, and fund availability, With respect to human resources, there are 864 employees integrated into the pharmaceutical industries (male: 559, female: 305), (Awad Abu Alia. 2007). The technology being used by Palestinian companies is mostly semiautomatic (80% percent) and automatic (20% percent) (masar. 2002), The estimate of the Palestinian pharmaceutical industry value-added for 1998 is about 28800\$ for each worker, comparing with 8800\$ in other industrial sector, this can be explained due to the intensive capital invested in pharmaceutical industry and the high qualification of the human resource. the industry has a profitability of 40% for each dollar of sales comparing with 24% to other local industry. (makhool. 1998)

The pharmaceutical manufacturers are focusing their production on three medicinal categories; these are anti-infective, muscoskeletal and alimentary medicines. In addition to medicines production, two of the companies are producing veterinary medicines, and also two of the companies are producing some kinds of detergents and cosmetics. (PFI, 2009)

**Table (2.10) Distribution of Registered Drug Products According to Companies (Local/ Foreign), West Bank, Palestine, Mid Year 2012**

Company	No. of Registered Drug Products Until 31/12/2011	No. of Registered Drug Products from 01/01/2012-30/06/2012	Total No. of Registered Drug Products until 30/06/2012
Local Pharmaceutical Companies	1252	17	1269
Foreign Companies	1242	27	1269
total	2494	44	2538

Source: Ministry Of Health (MoH) (2012) Palestinian Center Of Health Information, Health Report Mid 2012

### 2.8.5 The Pharmaceutical Sector Characteristic

Palestinian Pharmaceutical Sector growth by 20-30 % annually, according to the Union of Palestinian Pharmaceutical Manufacturers, Palestinian pharmaceutical manufacturers have expanded their capacity, but local Market size has grown slightly. as a result, the companies have started to search for expanding to international market. In year 2002, there are six major Palestinian companies with approximately \$45 million in capital investment, The major part of sales is made in the local Palestinian market with zero sales to Israel. All raw material are imported from abroad. (Massar, 2002)

The industry is considered one of the key strategic industries in Palestine. The pharmaceutical industry plays a major role in the Palestinian healthcare sector. The industry produces 1118 medicines (mostly generics) according to the ministry's registry while the market registers about 4500 medicines available in the domestic pharmacies and hospitals. The total number of workers is estimated at 1200 workers. The industry contributes less than 1 percent of GDP, it is considered one of the highest in worker productivity (\$44, 000 in 2005) as shown in table (2.11) (Abu-Hijleh, 2006) The pharmaceutical industry in Palestine constitutes 7% of total Palestinian industrial output and contributes approximately 1% to GDP. According to a Massar survey conducted in 1998, the total value of annual supply is \$65 million of which \$25 million constitutes Palestinian pharmaceutical products and \$40 million foreign and Israeli products (Massar. 2002).

**Table (2.11) Pharmaceuticals Sector General Information**

Sector	No. firms	Total investment	GDP %	No. Employees	Market share %	Employee productivity
pharmaceuticals	6	90M\$	<1 %	1200	55	44000\$

Source (PFI. 2009)

### 2.8.6 Market Share

Different researches and articles have created more controversy among market share and production of Palestinian pharmaceutical industry. The Palestinian Federation of Industries (PFI) estimated The market share of pharmaceutical industry is about 55% of the total market in terms of quantities and 45% in terms of dollar value. Almost 90 percent of local industry sales are in Palestine in WB/G, the rest is exported to international market ; East Europe, Arab and African countries. One company has partnered strategically with a European company to facilitate product access to European markets. The total market size of medicine in Palestine is estimated at about 48 million dollars. It is distributed over private sector 71%, public sector 20%, and 9% for NGOs including UNRWA. (PFI. 2009)

Abu-Alia (2007) finds that Palestinian pharmaceutical products constitute approximately 45% percent of the domestic pharmaceutical market. The generic products are more affordable than the expensive drugs imported, there are about 856 registered product until year 2007. while the total number of drugs produced in 1983 was 691 increased to reached 800 in 1995. (makhool, 1999). this conclusion is no far

from Abu-Hijleh. (2006) concludes that more than half of the local consumption is covered by Palestinian pharmaceutical products (Abu-Hijleh, 2006).

Market Share Estimates from the Palestinian National Authority and pharmaceutical industry sources suggest that the local industry covers 35-40% of the Palestinian market while the shortage is covered by Israeli and foreign products. the foreign imported of pharmaceuticals in the Palestinian market may reach approximately \$40 million per year.

According to the table (2.12), the largest market share is captured by local manufacturers in most of the common pharmaceutical categories. (Massar, 2002).

**Table (2.12) Market share in Palestine**

Source	Private sector	UN(*UNRW A)	Public sector
Market share in Palestine as estimated in 1998 pharmaceutical			
Local company	55%	10%	30%
Foreign company	30%	90%	37%
Israeli company	15%	00%	33%
Total	100%	100%	100%
Market share in Palestine as estimated in 2008 pharmaceutical			
Local company	57		
Foreign company	22		
Israeli company	19		
other	2		
Total	100%		

Source: (Dimensions,2008) (Makhool, 1999)

### 2.8.7 Export Market:

Palestinian pharmaceutical exports has been increasing gradually over the past several years. The Israeli occupation prevented Palestinian pharmaceutical to export to international market, Israel itself prevent the entry of Palestinian pharmaceutical to Israel market, the isolation of Palestine from the world and especially Arabic countries have been causing great lost to the industry, the need for certain certificate like "Certificate of a pharmaceutical product" issued from world health organization and "GMP" is essential to enter the international market. united states required a certificate from food and drug administration FDA, Europe union require GMP issued from any Europe country. (Makhool, 1998).

**Table (2.13) Export Percentage out of total sale and destination**

No.	Company	Percentage and destination	
		Year 1998	
1	Birzeit Pharmaceuticals Company	3%	Iraq, Yemen, eastern Europe
2	Pharmacare	20	eastern Europe

3	Jerusalem Pharmaceuticals	15	
4	Beit Jala Pharmaceutical	N. A	MENA region with a future plan for export to Europe
Total Value of Registered Palestinian Exports of Pharmaceutical Products and Country of Destination for years			
	<b>2011</b>		<b>2010</b>
<b>Country of Destination</b>	<b>Value</b>	<b>Country of Destination</b>	<b>Value</b>
Algeria	6,411	Algeria	6,410
Israel	6540	Israel	6,821
Jordan	507	Jordan	660
Malta	1,366	Malta	258
Oman	14	Israel	1009
Poland	1,262		
Qatar	2		
United Kingdom	64		
<b>total</b>	<b>16,529</b>		<b>17,093</b>
<b>2009</b>			
			<b>Value</b>
			<b>8,556</b>
<b>Source:</b> Palestinian Central Bureau of Statistics 2013.Foreign Trade Statistics. Ramallah - Palestine.			
<b>(*):</b> The data excludes those parts of Jerusalem which were annexed by Israel in 1967.			
<b>(0):</b> Value less than 500 USD.			
<b>Value in million USD</b>			

**Source:** Palestinian Central Bureau of Statistics 2013.Foreign Trade Statistics. Ramallah - Palestine ;Makhool, 1999)

The industry face difficulties to enter international market due to high competition from international corporation and the restriction of obtaining the requirement certificate. (makhool. 1999) although, pharmaceutical industry has seen substantial growth, increasing at a steady rate over the years. Palestinian pharmaceutical exports have increased from 4. 653\$ million in 1996 to 16, 574 million in 2011. as estimated by Palestinian Central Bureau of Statistics (PCBS. 2011).

**Table (2.14) Sale Value of Registered Palestinian pharmaceutical in US DOLLAR**

<b>year</b>	<b>2011</b>	<b>2012</b>
Pharmacare	14,890.646	16,893.346
Bierziet	21,315640	22,868,435
Jerusalem Pharmaceutical CO.	19.876.778.836	18,053,224.6914
Beit Jala Pharmaceutical	6,700,000	7,400,000

Conceptualized By Researcher

**table (2.15) Value of Registered Palestinian pharmaceutical Exports in 1996 - 2011)**

Year	1996	1997	1998	1999	2000	2001	2002	2003
Amount	4,653	6,638	7,813	10,390	10,774	9,714	7,746	9,921
Year	2004	2005	2006	2007*	2008	2009	2010	2011
Amount	13,554	12,351	14,180	19,836	12,746	18,445	17,117	16,574

Source (Pcbs. 2011). \* Value in Thousand USD

**Total (2.16) Economic indicators and manpower comparative for selected countries**

Country	Palestine	Lebanon	Jordan	Egypt	Turkey	Israel	India
Economic Indicators							
Companies Numbers	6	5	18	61	84	74	20.000
Contribution In Gross Domestic Product (%)	<1%	<1%	<1%	<1%	<1%	2%	<1%
Size Of Domestic Market (Million\$)	90\$-70\$	430\$	348\$	818.1\$	3000\$	200.1\$	857.4\$
Domestic Market Share (%)	45-56%	3%	33%-45%	86%	41%	35%	7%
Gross Revenue (Million \$)	38\$	17\$	385\$	600.1\$	1380\$	742.3\$	500.6\$
Total Export (Million)	3\$	5\$	270\$	44\$	150\$	300.3\$	100.3\$
Manpower Indicators							
Contribution To Employment (%)	3%	<1%	<1%	<1%	<1%	<1%	<1%
Number Of Employees	859	540	xxxxx	28.658	15.031	16.500	250.000
Employee average salary per month (\$)	550\$	750\$	525\$	450\$	870.1\$	450.2\$	450\$

Source: (Dimensions consulting company, 2008, in Adili 2009)

### 2.8.8 Challenges for Palestinian pharmaceutical industry:

Considerable challenges face the pharmaceutical industry, there is need to protect Palestinian patients from counterfeit drugs that are smuggled into Palestine through Israeli borders and ports, (Abu Alia. 2007). Efforts must continue towards producing more variety of drugs to Bridge the gap between the production of Pharmaceutical Industry and market, Acquiring GMP certifications from local and international authorities is considered the visa to enter international markets. Market studies and registration of medicines are particularly needed. (PFI, 2009)

The companies must benefit from an available qualified pharmacist, skilled labor pool and a wage structure that is competitive among peer countries. The Palestinian firms can focus on niche market to avoid strong competition with their peers from neighboring countries and other developed regions Israeli companies and other international pharmaceutical companies producing similar products are the main competition in the Palestinian market, whereas in the export market segment, Jordanian and Egyptian companies compete heavily with Palestinian exporter companies. Palestinian products are cost competitive as local companies are able to sell in low price and to provide bonus offers. (Abo Hijleh, 2006)

The current process of trade liberalization and WTO's Intellectual property Rights Agreement (IP) have made a major impact internationalization of Palestinian

industry. there is threat that the implementation of IP regime will discriminate against Palestinian pharmaceutical industry in favour of foreign companies that can afford the enormous funding required for research and marketing. There is an argues that the TRIPs regime poses challenges for the Palestinian pharmaceutical industry.

**Table (2.17) Summary of SWOT Analysis Palestinian pharmaceutical industry**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• relatively good market share The market share of this industry is about 55% of the total market. some firm obtained GMP The industry has invested a lot in infrastructure</li> <li>• Acceptably developed industry and modern technology utilization.</li> <li>• Availability of skilled, well-educated employees.</li> <li>• Good quality products with competitive prices.</li> <li>• Firms capable to expand.</li> <li>• Strong association representing 100% of the cluster with commitment to invest towards the cluster’s improvement. The total amount of assets in the sector is estimated at 90 million USD</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of GMP certification weakens access to markets.</li> <li>• Weak expertise in R&amp;D for products.</li> <li>• Limited access to equipment and facility maintenance.</li> <li>• Focus on the production of similar pharmaceutical products.</li> <li>• High logistics/transportation costs and material handling.</li> <li>• Limited marketing strategy, both local and international. Local manufacturers cover only around one third of the Palestinian Essential Drug List. Training is largely needed</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Export potential if GMP certified.</li> <li>• Growing demands locally and internationally for generics.</li> <li>• WTO accession (once ready).</li> <li>• Cooperation with Jordanian Pharmaceutical union (Center of Excellence of the JAPM).</li> <li>• Exploring/expanding new products lines (e. g., veterinary medicine, natural remedies, nutrient supplements).</li> <li>• Compliance with drug registration regulations (government tender).</li> <li>• Favorable trade agreements in some niche markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Political instability and closure.</li> <li>• Foreign and Israeli competition.</li> <li>• Weak legal and regulatory environment (e. g. GMP, drug registration). Palestine is not member in WTO.</li> </ul>

Source: (BPC 2012 ;abu alia 2009; Abo Hijleh, 2006)

## 2.9 Global pharmaceutical industry:

Medicines play a crucial role in protecting, curing and treating people’s health. The provision of appropriate medicines of assured quality, in accurate quantities and at reasonable prices is therefore a concern of global pharmaceutical industry policy makers. The World Health Organization published reports on the World Medicines Situation In 1988, 2004, and in 2011, The report described the Medicines movement. The aim of the report is to gather relevant information comprehensively to improve sharing of information of pharmaceutical industry.

The report issued in 2004 indicates that there is increasing growth of the industry. Growth Trends from 1985-1999 indicate that the value of medicine production has grown four (4) times more rapidly than the world’s income. "The average annual growth rate of

pharmaceutical production over this period was just under 10. 5% at current prices, in comparison with an average annual growth rate of global gross national product (GNP) of under 7. 5%. The value of manufactured pharmaceuticals has thus grown substantially faster than the total value of goods and services". (World Health Organization. 2011; 2004)

The total value of global pharmaceutical production in 1999 was just over 320 billion US dollars, the production is concentrated in major five countries, (USA, Japan, Germany, France and the UK), When measured in monetary terms, these countries account with over 90% of world production, global pharmaceutical production accounted for 1. 12% of global gross domestic product GDP . when this percentage and figure calculated according to constant prices to adjust for inflation, the rate at which pharmaceutical production has outstripped GDP growth increases substantially. The average real growth rate of GDP was 3. 6% per annum and the average real growth rate of pharmaceutical.

**Table (2.18) Estimated global value of pharmaceutical production 1985–1999, in current and constant US\$ billion**

<b>Production and price</b>	<b>1985</b>	<b>1990</b>	<b>1999</b>
Pharmaceutical production current prices	82, 1	175, 9	327, 2
Global GNP current prices	10, 766	22, 299	29, 232
Global GNP constant (1995) prices	46, 2	140, 5	370, 1
Global GNP constant (1995) prices	20, 302	24, 555	33, 672

Source: (WTO, 2004)

### **2.9.1 Global Pharmaceutical Market:**

The pharmaceutical industry is complex, dynamic, and highly globalized, with many Pharmaceutical Companies Operating In Multiple countries, (Howlett, Michels, et al. 1999), In global market there is great difference in price between original and licensed brands And generic drug, in a review of the "WHO/HAI pricing studies the “percentage difference in price between originator brands and lowest-priced generics (brand premium) in the private sector was over 300% in lower-middle-income countries and low-income countries", pharmaceutical expenditures Per capita in 2005/2006 ranged from US\$ 431. 6 in high-income countries to US\$ 7. 61 in low-income countries, the world Measured Total Pharmaceutical Expenditure (TPE) accounts for 1. 41% to 1. 63%. there is need to provide drug to poor countries, in responding to this need, Millennium Development Goal MDG, 8-E expresses a global commitment to ensure that availability of essential medicines. To achieve this goal an increase in spending on medicines in low- and middle-income countries may be required. (World Health Organization. 2011).

### **2.9.2 Pharmaceuticals Market analysis**

The global pharmaceuticals market has maintained moderate growth for the last decade. The global pharmaceuticals market had total revenues of \$782. 1 billion in 2011, representing a compound annual growth rate CAGR of 4. 9% between 2007 - 2011, the European and Asia-Pacific markets grew of 3. 1% and 8. 8% respectively, The performance of the market is forecast to slowdown, with an anticipated of 4. 4% for the five-year period 2011- 2016, which is expected to drive

the market to a value of \$971. 1 billion by the end of 2016. while, the European and Asia-Pacific markets will grow with CAGRs of 1. 8% and 7. 4% respectively, over the same period. (Marketline, 2012)

The conventional mature markets of North America, Western Europe and Japan have accounted for just 16 per cent of global market growth, while The seven emerging markets of Brazil, China, India, Mexico, Russia, South Korea and Turkey are estimated to have contributed 51% per cent of global pharmaceutical growth in 2009, Asia is becoming a centre of gravity for global pharmaceutical companies. (Tempest, B. 2010)

**Table (2.19) Region & leading country spending**

YEAR	2011			2009			
	Country	Rank	\$ (Mill)	Growth (%)	Rank	\$ (Mill)	Growth (%)
	<b>United States</b>	1	322, 290	3	1	301, 095	6
	<b>Japan</b>	2	111, 642	16	2	89, 865	17
	<b>China</b>	3	66, 805	22	3	45, 261	24
	<b>Germany</b>	4	44, 916	7	4	41, 287	-2
	<b>France</b>	5	41, 197	6	5	40, 452	-5
	<b>Brazil</b>	6	28, 465	23	10	17, 629	8
	<b>Italy</b>	7	28, 357	7	6	27, 085	-1
	<b>Spain</b>	8	22, 679	2	7	22, 722	1
	<b>Canada</b>	9	22, 294	3	9	19, 143	0
	<b>United Kingdom</b>	10	21, 564	6	8	19, 830	-11

Source: (IMS. 2012) IMS (IMS Health is the world's leading information)World Review 2012 Analysis

### 2.9.3 Pharmaceutical companies:

Pharmaceutical industry is high concentrated geographically, companies located in developed countries responsible for two-thirds of the value of medicines produced globally, A small number of transnational corporation dominate the global pharmaceutical production, trade and sales of medicines. Ten of these companies now account for about half of all sales, (World Health Organization, 2004).

The pharmaceutical market is characterized by strong buyer power, with the ease of market entry strongly regulated by legal and regulatory frameworks. Major suppliers to the pharmaceutical market are company of active pharmaceutical ingredients APIs. A number of leading pharmaceutical companies have major investments in pharmaceutical chemical manufacturing, providing them with fund and this reduces supplier power to some extent. These suppliers companies are supplied on a contractual basis and so pharmaceutical companies are likely to risk high switching costs if they consider transfer their business in other places. accordingly, pharmaceutical companies employ sourcing managers to downsize costs and to minimize supplier power. The development of new drug can cost pharmaceutical companies higher prices. If the novel drug successfully enter the market, companies can make a large amount of money. (Marketline, 2012)

In 2007, the Pharmaceutical Research and Manufacturers of America (PhRMA) estimated that it takes between 10 and 15 years to introduce a new medicine from discovery to market at an average cost for R&D of US\$ 800 million to US\$ 1 billion. In 2011, the estimated the average cost increased at more than US\$ 1. 2 billion. (DiMasi et al, 2003)

**Table (2.20) Major multinational pharmaceutical companies**

Company	HQ location	Revenue of pharmaceutical segment, mln USD	Total sales, mln USD	Share of pharmaceutical segment, %
Pfizer	NY, U. S.	46, 133	52, 516	87. 85%
GlaxoSmithKline	UK	31, 434	37, 324	84. 22%
Johnson & Johnson	NJ, U. S.	22, 190	47, 348	46. 87%
Merck	NJ, U. S.	21, 494	22, 939	93. 70%
AstraZeneca	UK	21, 426	21, 426	100. 00%
Novartis	Switzerland	18, 497	28, 247	65. 48%
Sanofi-Aventis	France	17, 861	18, 711	95. 46%
Roche	Switzerland	17, 460	25, 168	69. 37%
Bristol-Myers Squibb	NY, U. S.	15, 482	19, 380	79. 89%
Wyeth	NJ, U. S.	13, 964	17, 358	80. 45%
Abbott	IL, U. S.	13, 600	19, 680	69. 11%
Eli Lilly	IN, U. S.	13, 059	13, 858	94. 23%
Takeda	Japan	8, 648	10, 046	86. 09%
Schering-Plough	NJ, U. S.	6, 417	8, 272	77. 57%
Bayer	Germany	5, 458	37, 013	14. 75%

Source: (Davidson and Greblov, 2005)

#### 2.9.4 Global Market share:

World's pharmaceutical Market is unevenly distributed, United States is highest demand for pharmaceutical products, then Western Europe, and Japan. The United States accounted for approximately 33% percent of the total world market for ethical (prescription) pharmaceuticals in 1996, while Europe's share amounted to about 29 percent; Japan's share was nearly 18 percent. (Howlett, Michels, et al , 1999)

In 2010, only 18 per cent of the world ' s population shared 88 per cent of the world' s pharmaceuticals products, while 82 per cent of the world's population has access to only 12 per cent of the world's pharmaceuticals products (Tempest, 2010). Market Geography segmentation show big difference in market share, Americas accounts for 42. 2% of the global pharmaceuticals market value. Europe accounts for a further 28. 7% of the global market. (Marketline, 2012), In the United States pharmaceutical industry composed of approximately 700 companies that develop, manufacture, and market ethical pharmaceutical products, including both proprietary (brandname) and generic medicines, appears competitive. (Howlett, Michels, et al, 1999)

**Table (2.21) Global pharmaceuticals market geography segmentation: \$ billion, 2011**

Geography	2011	Percentage %
Americas	330. 2	42. 2
Europe	224. 8	28. 7
Asia-Pacific	217	27. 8
Middle East & Africa	10. 1	11. 3
Total	782. 1	100%

Source: (Marketline. Global Pharmaceuticals Industry Profile, 2012)

#### 2.9.5 Pharmaceutical world trade regulation:

Pharmaceutical industry continues to globalize, World Health Organization (WHO), world Trade Organization (WTO) and the World Intellectual Property Organization (WIPO), are responsible for pharmaceutical trade in the world. They are in

line with the mandates given to them by governments and their respective areas of expertise, Rules for international trade are established at the multilateral level within the framework of the WTO. Some member of WTO, mainly developed countries, introduced the Pharmaceutical Tariff Elimination Agreement in 1994. According to this agreement, they eliminated tariffs on most finished pharmaceutical products, Since 1994, the WTO member have periodically updated the agreement's mandate. Developed countries have applied tariffs on medicines of less than 0. 1 per cent on average since 2000. while developing countries, they have lowered their applied tariffs rates on medicines from 6. 7 per cent to 4. 2 per cent gradually. A few of these developing countries especially which have local national manufacturing industries are apply relatively high tariffs on finished products to protect their industry. (WTO. WIPO. WTO, 2012).

Pharmaceuticals industry is subjected to the regulation of WTO regarding manufacturing and import –export, The agreement that resulted from these negotiations to established WTO is called “Trade-Related Aspects of Intellectual Property Rights” TRIPs. TRIPs is administered by the WTO with the special assistance of the Council on Trade-Related Aspects of Intellectual Property. All member of WTO must enactment and effective enforcement of laws that adequately protect intellectual property, Pharmaceuticals was one industry sector that the WTO specifically addressed in the areas of patents and IP, Each WTO member is required to make patents available with respect to inventions in all fields of Pharmaceuticals. (Howlett, Michels, et al, 1999)

Patent protection for pharmaceutical products is necessarily to entail the balancing between public healthcare and the corporate interests. (Gewertz, and R. Amado, 2004), Patents confer the right to the pharmaceutical companies or patentee to exclude others from manufacturing, compounding, using, offering for sale, selling in, or importing the patented invention into, the country where the patent rights are granted "Article 28 of the TRIPS Agreement". (WTO et al, 2012), Patent for New drug may be obtained for new chemical entities, novel manufacturing processes, or new use of existing drug, patent enable company to obtain adequate return on their investment. the patent application is filled when the drug shows promising pharmacological promising effect. (Gennaro A. 1995). Under the TRIPS Agreement, the available term of protection must expire no earlier than 20 years from the date of filing the patent application. (WTO. 2006), most significant impact of TRIPs is that the term for a U. S. patent has been changed from 17 years from the date the patent issued to 20 years from the date the patent application was field. (Howlett, Michels, et al, 1999)

Original brands drug refers to products that are marketed by the originator of the drug, Products that are marketed under the terms of a licensing agreement with the originator company are defined as “licensed brands”. “Other brands” constitute two different types of product. The majority of “other brands” are branded products that are either compounded or manufactured and/or marketed by a company that is not the originator company of the molecule, and for which there is no evidence of a licensing agreement, for example, branded generics, pirate products and copy products, In 2008, The share of original and licensed brands was highest in high-income countries but similar in both middle- and low-income countries. There has been modest decline (2–3%) in the percentage of original and licensed brand usage

since 2000. The higher percentage use of original and licensed brands in high-income countries no doubt reflects their higher use of patent products. (WTO,2011)

Generic products accounted for just 14% of the global market in terms of value, although more than 40% of products sold in several large markets, although more than 40% of products sold in several large markets, including the United States, Germany and the United Kingdom, are generics. Generics have less than a 10% share of the market in terms of both volume and value in Italy, Belgium, Spain and Portugal. (OECD, 2008). Market size and the date of patent expiry play important rule for market entry decision, Original brand market share has been found to be directly proportional to the age of the original brand protection, major brand names typically losing half of their market share within a year of patent expiry in united states market. (Magazzini, and Pammolli, et al, 2004).

### **2.9.6 summary**

This chapter presents theoretical basis reviewing the most important concepts of the internationalization process. It mainly focuses on internal determinants affecting export performance. Moreover, the chapter presents an overview of international pharmaceutical industry and Palestinian pharmaceutical industry.

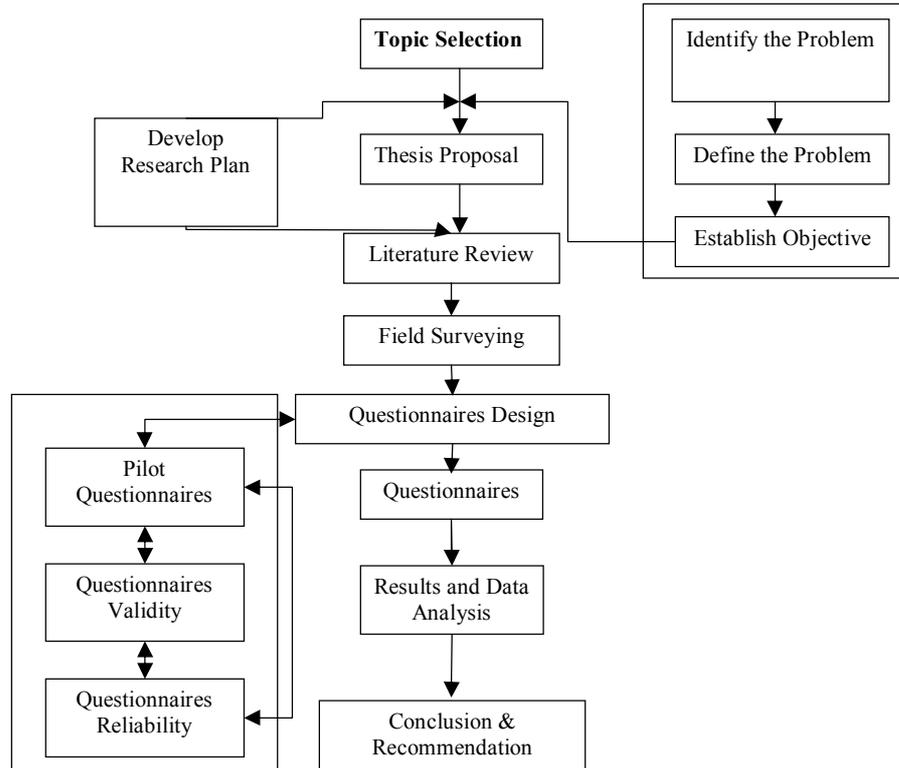
**Chapter Three**  
**Research Methodology**

### 3.1 Introduction:

This chapter describes the methodology that has been used in this study. The chapter describes the following techniques: the information about the study methodology, data collection, research design, research population, questionnaire design, validity and reliability of questionnaire, pilot study, and statistical data analysis.

### 3.2 Research Design:

- The study contain number of phase as shows in figure (3.1) to achieve the study aim, The first phase of the research thesis proposal includes identifying and defining the problems and establishment objective of the study and development research plan
- The second phase of the research includes a summary of the comprehensive literature review. Literatures on claim management was reviewed.
- The third phase of the research includes a field survey which was conducted with the "The influence of internal determinants of Palestinian pharmaceutical firms on export performance".
- The fifth phase of the research focuses on distributing questionnaire. This questionnaire was used to collect the required data in order to achieve the research objective.
- The sixth phase of the research is data analysis and discussion. Statistical Package for the Social Sciences, (SPSS) was used to perform the required analysis. The final phase includes the conclusions and recommendations.
- Seventy questionnaires were distributed to the research population and fifty nine questionnaires were received



**Figure (3.1) shows the methodology flowchart, which leads to achieve the research objective**

### **3.3 Study methodology:**

This study is quantitative and qualitative study. The researcher adopts descriptive analytical approach in conducting the research, as it is considered the most used in business and social studies. Saunders et. al. (2003) argues that the objective of descriptive research is accurately portraying a profile of persons, situations or events.

### **3.4 Export Performance Measurement::**

In order to assess the validity of the hypotheses, it is necessary to develop measures of the constituent concepts, Although there is no coherent agreement about export performance measure, a number of models of export performance measure offer some different perspectives. Aaby and Slater (1989) observe that export marketing strategy and performance were conceptualized and operationalized in many different ways by different researchers, Cavusgil, & Zou, (1994). There is diversity of conceptualization And measurement of export marketing strategy and export performance, Zou, Taylor, & Osland, (1998). And Zou & Stan (1998) Have Developed comprehensive measurement scale to assess export performance.

In this research, different sets of variables are used, Build on previous measure have been used, the study will follow mainly the measurement of Zou & Stan. (1998).

### **3.5 Data Collection Methodology:**

In this study secondary and primary data were used.

#### **3.5.1 Secondary Data:**

To introduce the theoretical literature of the subject, the research uses the secondary data resource which included: previous studies, books, academic magazines, periodicals, websites and electronic versions, MOH reports, and published articles related to the research subject, this data is essential to gain understanding of the research field and to draw clear picture of the literature.

#### **3.5.2 Primary Data:**

In order to analyze the qualitative and quantitative data of the research, questionnaire is used as a tool for collecting primary data. Although questionnaires may be cheap to administer compared to other data collection methods, they are expensive in terms of design time and interpretation. The use of questionnaire is justified by a variety of factors related to this study as following:

- the respondents are very busy ;
- difficulties of reaching the respondent in West Bank;
- by using questionnaire, the respondents' answers are not being contaminated or distorted;
- time frame for collection the data and cheap cost. Saunders, & Thornhill, (2009).

The questionnaire was initially written in English and then translated into Arabic. Numbers of referees (university lecturers in international marketing)



### 3.7 Test of Normality for each field:

Table (3.2) shows the results for Kolmogorov-Smirnov test of normality. From Table (3.2), the p-value for each field is greater than 0.05 level of significance, then the distribution for each field is normally distributed. Consequently, Parametric tests will be used to perform the statistical data analysis.

**Table (3.2) Kolmogorov-Smirnov test**

Field	Kolmogorov-Smirnov	
	Statistic	P-value
<b>Modes of entry</b>	1.120	0.162
<b>Strategic planning</b>	0.986	0.285
<b>Market research</b>	1.138	0.150
Product Adaptation	0.874	0.429
Promotion Adaptation	0.638	0.810
Price Adaptation	1.400	0.060
Distribution Adaptation	1.210	0.107
<b>Market strategies adaptation</b>	0.563	0.909
<b>Strategic export performance</b>	0.677	0.749
<b>All paragraphs of the questionnaire</b>	0.935	0.346

### 3.8 Pilot Study:

A pilot study for the questionnaire was conducted for 26 respondents before collecting the results of the sample. It provides a trial run for the questionnaire, which involves testing the wordings of question, identifying ambiguous questions, testing the techniques that used to collect data, and test the validity measuring the effectiveness of standard invitation to respondents.

### 3.9 Validity of Questionnaire:

Validity refers to the degree to which an instrument measures what it is supposed to be measuring. Validity has a number of different aspects and assessment approaches. Statistical validity is used to evaluate instrument validity, which include internal validity and structure validity.

#### 3.9.1 Internal Validity:

Internal validity of the questionnaire is the first statistical test that used to test the validity of the questionnaire. It is measured by a scouting sample, which consisted of 25 questionnaires through measuring the correlation coefficients between each paragraph in one field and the whole field.

Table (3.3) clarifies the correlation coefficient for each paragraph of the "**Modes of entry**" and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at  $\alpha = 0.05$ , so it can be said that the paragraphs of this field are consistent and valid to be measure what it was set for.

**Table (3.3) Correlation coefficient of each paragraph of "Modes of entry" and the total of this field**

No.	Paragraph	Pearson Correlation Coefficient	P-Value (Sig.)
1.	Export entry modes (direct, indirect, agent, branch/subsidiary)	.855	0.000*
2.	Contractual entry modes (licensing, franchising, technical agreement)	.837	0.000*
3.	Investment entry modes (new establishment, acquisition, joint venture)	.796	0.000*

\* Correlation is significant at the 0. 05 level

Table (3.4) clarifies the correlation coefficient for each paragraph of the "Strategic planning" and the total of the field. The p-values (Sig.) are less than 0. 05, so the correlation coefficients of this field are significant at  $\alpha = 0. 05$ , so it can be said that the paragraphs of this field are consistent and valid to be measure what it was set for.

**Table (3.4) Correlation coefficient of each paragraph of "Strategic planning" and the total of this field**

No.	Paragraph	Pearson Correlation Coefficient	P-Value (Sig. )
1.	Our firm have Developed competitive export strategies	.490	0.006*
2.	Our firm have Establishment of exporting goals	.568	0.002*
3.	Our firm have Existence of an export product policy	.697	0.000*
4.	Our firm have Existence of an export promotion policy	.867	0.000*
5.	Our firm have Existence of an export distribution policy	.920	0.000*
6.	Our firm have Existence of an export pricing policy	.762	0.000*
7.	Our firm have Export production policy	.660	0.000*
8.	Our firm have R&D for export markets	.754	0.000*

\* Correlation is significant at the 0. 05 level

Table (3.5) clarifies the correlation coefficient for each paragraph of the "Market research" and the total of the field. The p-values (Sig.) are less than 0. 05, so the correlation coefficients of this field are significant at  $\alpha = 0. 05$ , so it can be said that the paragraphs of this field are consistent and valid to be measure what it was set for.

**Table (3.5) Correlation coefficient of each paragraph of "Market research" and the total of this field**

No.	Paragraph	Pearson Correlation Coefficient	P-Value (Sig. )
1.	We have knowledge about market when starting to export	.504	0.005*
2.	Firm Possession of proprietary technical knowledge will enhance export strategy	.506	0.005*
3.	Firm Possession of a unique/patented product will encourage export strategy	.554	0.002*
4.	firm Extending life-cycle of products will positively encourage export strategy	.584	0.001*

5.	We have number of information sources to be used	.717	0.000*
6.	Our firm Obtaining knowledge about market, will encourage export strategy	.437	0.015*
7.	We depend on customer perception to produce product uniqueness	.656	0.000*
8.	We depend on customer perception to achieve product quality	.872	0.000*
9.	We depend on customer perception to achieve product and package design	.709	0.000*
10.	We depend on customer perception to strengthen our product	.708	0.000*

\* Correlation is significant at the 0. 05 level

Table (3.6) clarifies the correlation coefficient for each paragraph of the "**Market strategies adaptation**" and the total of the field. The p-values (Sig.) are less than 0. 05, so the correlation coefficients of this field are significant at  $\alpha = 0. 05$ , so it can be said that the paragraphs of this field are consistent and valid to be measure what it was set for.

**Table (3.6) Correlation coefficient of each paragraph of "Market strategies adaptation" and the total of this field**

No.	Paragraph	Pearson Correlation Coefficient	P-Value (Sig.)
1.	Product's brand name strategy	.807	0.000*
2.	Product design	.796	0.000*
3.	Product labeling	.558	0.002*
4.	Product quality	.569	0.002*
5.	Range of variety of main exporting product line	.745	0.000*
6.	product precautions	.686	0.000*
<b>PRODUCT ADAPTATION</b>			
1.	Advertising idea/theme	.821	0.000*
2.	Media channels for advertising	.876	0.000*
3.	Promotion objectives	.788	0.000*
4.	Budget for promotion	.852	0.000*
5.	Public relations emphasis	.509	0.006*
6.	Direct marketing/ mailing	.682	0.000*
<b>Promotion Adaptation</b>			
4	Determination of pricing strategy	.804	0.000*
5	Concession of credit	.735	0.000*
6	Price discount policy	.710	0.000*
7	Quality/price relationship	.472	0.009*
<b>PRICE ADAPTATION</b>			
1.	Criteria to select the distribution system	.968	0.000*
2.	Transportation strategy	.940	0.000*
3.	Budget for distribution	.941	0.000*
4.	Distribution network	.966	0.000*
5.	Accomplishment of delivery deadlines	.831	0.000*
<b>DISTRIBUTION ADAPTATION</b>			

\* Correlation is significant at the 0. 05 level

Table (3.7) clarifies the correlation coefficient for each paragraph of the "Strategic export performance" and the total of the field. The p-values (Sig.) are less than 0.05, so the correlation coefficients of this field are significant at  $\alpha = 0.05$ , so it can be said that the paragraphs of this field are consistent and valid to be measured what it was set for.

**Table (3.7) Correlation coefficient of each paragraph of "Strategic export performance" and the total of this field**

No.	Paragraph	Pearson Correlation Coefficient	P-Value (Sig.)
1.	export has improve our global competition	.495	0.006*
2.	export has Strengthen our strategic position	.742	0.000*
3.	export has Significantly increase our global share	.755	0.000*
4.	export has very profitable	.820	0.000*
5.	export has generated a high volume of sale	.884	0.000*
6.	export has achieved rapid growth	.921	0.000*
7.	Our export venture has been very satisfactory	.914	0.000*
8.	our export venture has been very successful	.701	0.000*
9.	our export venture has fully met our expectations	.777	0.000*

\* Correlation is significant at the 0.05 level

### 3.10 Structure Validity of the Questionnaire:

Structure validity is the second statistical test that used to test the validity of the questionnaire structure by testing the validity of each field and the validity of the whole questionnaire. It measures the correlation coefficient between one field and all the fields of the questionnaire that have the same level of the scale.

Table (3.8) clarifies the correlation coefficient for each field and the whole questionnaire. The p-values (Sig.) are less than 0.05, so the correlation coefficients of all the fields are significant at  $\alpha = 0.05$ , so it can be said that the fields are valid to be measured what it was set for to achieve the main aim of the study.

**Table (3.8) Correlation coefficient of each field and the whole of questionnaire**

No.	Field	Pearson Correlation Coefficient	P-Value (Sig.)
1.	Modes Of Entry	.395	0.031*
2.	Strategic Planning	.695	0.000*
3.	Market Research	.779	0.000*
4.	Product Adaptation	.904	0.000*
5.	Promotion Adaptation	.933	0.000*
6.	Price Adaptation	.345	0.046*
7.	Distribution Adaptation	.800	0.000*
8.	Market Strategies Adaptation	.830	0.000*
9.	Strategic Export Performance	.530	0.003*

\* Correlation is significant at the 0.05 level

### 3.11 Reliability of the Research:

The reliability of an instrument is the degree of consistency which measures the attribute; it is supposed to be measuring (Polit & Hunger, 1985). The less variation an instrument produces in repeated measurements of an attribute, the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool. The test is repeated to the same sample of people on two occasions and then compares the scores obtained by computing a reliability coefficient (Polit & Hunger, 1985).

#### 3.11.1 Cronbach's Coefficient Alpha:

This method is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The normal range of Cronbach's coefficient alpha value between 0. 0 and + 1. 0, and the higher values reflects a higher degree of internal consistency. The Cronbach's coefficient alpha was calculated for each field of the questionnaire.

Table (3.9) shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha were in the range from 0. 664 and 0. 956. This range is considered high; the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0. 918 for the entire questionnaire which indicates an excellent reliability of the entire questionnaire.

**Table (3.9) Cronbach's Alpha for each field of the questionnaire**

No.	Field	Cronbach's Alpha
1.	<b>Modes of entry</b>	0.719
2.	<b>strategic planning</b>	0.793
3.	<b>Market research</b>	0.800
4.	PRODUCT ADAPTATION	0.782
5.	Promotion Adaptation	0.813
6.	PRICE ADAPTATION	0.664
7.	DISTRIBUTION ADAPTATION	0.956
8.	<b>Market strategies adaptation</b>	0.900
9.	<b>Strategic export performance</b>	0.919
	<b>All paragraphs of the questionnaire</b>	0.918

### 3.12 Statistical analysis Tools:

The researcher uses data analysis both qualitative and quantitative data analysis methods. The Data analysis will be made utilizing (SPSS 20). The researcher utilizes the following statistical tools:

- a) Kolmogorov-Smirnov test of normality.
- b) Pearson correlation coefficient for Validity.
- c) Cronbach's Alpha for Reliability Statistics.
- d) Frequency and Descriptive analysis.
- e) Parametric Tests (One-sample T test, Independent Samples T-test, Analysis of Variance).

### **3.12.1 T-test**

T-Test is used to determine if the mean of a paragraph is significantly different from a hypothesized value 6 (Middle value of scale). If the P-value (Sig.) is smaller than or equal to the level of significance,  $\alpha = 0.05$ , then the mean of a paragraph is significantly different from a hypothesized value 6. The sign of the Test value indicates whether the mean is significantly greater or smaller than hypothesized value 6. On the other hand, if the P-value (Sig.) is greater than the level of significance  $\alpha = 0.05$ , then the mean a paragraph is insignificantly different from a hypothesized value 6.

### **3.12.2 The independent sample T-test:**

The Independent Samples T-test is used to examine if there is a statistical significant difference between two means among the respondents toward the influence of internal determinants of Palestinian pharmaceutical firms on export performance due to (Firm characteristic "traits" and management traits).

### **3.12.3 The One- Way Analysis of Variance (ANOVA):**

The One- Way Analysis of Variance (ANOVA) is used to examine if there is a statistical significant difference between several means among the respondents toward The influence of internal determinants of Palestinian pharmaceutical firms on export performance due to (Annual sales volume of firm, Place of college education and education background).

### **3.13 Conclusion:**

This chapter presents comprehensive description of the research methodology adopted in this research. The chapter shows the guideline that is implemented in the study through identifying the approach and tools used in the completion of this study.

Finally, it can be said that the researcher proves that the questionnaire is valid, reliable, and ready for distribution for the population sample to measure the influence of firm internal determinants on export performance.

**Chapter Four**  
**Data Analysis and Discussion**

#### 4.1 Firm Characteristic "traits":

##### Firm age:

Table (4. 1) shows that firm ages " More than 40" represents 75%, and "40 years and Less " represents 25%, also the results manifest that majority of firms have established more than 40 years and more which indicate that these firm have long experience

**Table (4. 1) Firm age**

No.	Company	AGE	Year of established	Age (2013)	frequency	Percent out of total categories
1	Bet Jala Chemicals	More than 40	1968	45	3	75%
2	Jerusalem Pharmaceuticals	More than 40	1969	44		
3	Birzeit Pharmaceuticals Company	More than 40	1973	40		
4	Pharmacare company	40 years and Less	1986	27	1	25%
	total					100

##### Company size:

Table No. (4. 2) shows that all the companies that had been selected for the study employ 852 employees. Moreover, the smallest company of the research population employ 16% of the total population, the largest company employ 33% of the total employees of the population. the selection criteria that were set up by this research will analyze each company individually because the small size of the sample, to investigate effect of the company size on export performance.

**Table (4.2) Company size by Number of employees**

Number of employees	Company	Number of employees	Frequency	Percentages
Less than 100	0	0	0	0
100- less than 200	Bet Jala Chemicals	140	1	16%
	Birzeit Pharmaceuticals Company	170	1	20%
200- less than 300	Jerusalem Pharmaceuticals	260	1	31%
	Pharmacare company	282	1	33%
<b>Total</b>		<b>852</b>	<b>4</b>	<b>100%</b>

##### Annual sales volume of firm in \$ Million:

Referring to the annual sale volume (Table No. 4.3) in the firm, the majority of the respondents points out that the average of the annual sale exceeds \$ 15 million. The researcher agrees with the opinion of (katsikeas, piercy, and loannidis 1996). Who state that the firm don't tend to disclosed their sales to the public.

**Table (4.3) Annual sales in million \$ US volume of firm**

Annual sales volume of firm	Frequency	Percent
3-5	3	5.1
5-10	7	11.9
10-15	17	28.8
15-20	14	23.7
more than20	18	30.5
Total	59	100.0

### Number of countries firms exporting:

Table (4.4) shows that the title of "Number of countries firm exporting" represents 91% of the firms export to more than 4 countries, variance of respondents to know exact export countries number may due to the position of the respondents.

**Table (4.4) Number of countries firm exporting**

Number of countries firm exporting	Frequency	Percent
1 country	2	3.4
2 country	3	5.1
More than 3 countries	54	91.5
Total	59	100.0

### 4.2 Personal Traits:

#### Education levels:

Table No. (4.5) show that 3.4% of the research population hold a diploma, degree, 69.5% of the sample holding a bachelor degree, while 25.4% are holding master degree, and 1.7% hold PHD.

In can be concluded that Pharmaceutical industry required highly educated professional employees.

**Table (4.5) Education levels**

Education levels	Frequency	Percent
diploma	2	3.4
bachelor	41	69.5
master	15	25.4
Doctorate	1	1.7
Total	59	100.0

#### Place of college education:

Table (4.6) shows that "Palestine" represents 61%, "Arab countries" represents 25.4%, "Asia" represents 8.5%, "Europe" represents 3.4%, and "America" represents 1.7%, the results manifest that majority of respondents graduated from Palestinian universities. The entry to international market need people with international orientation, the majority of employees in the study are graduated from Palestinian university, the study will explore if the employees place of college education will affect the export performance.

**Table (4.6) Place of college education**

Place of college education	Frequency	Percent
Palestine	36	61.0
Arab countries	15	25.4
Asia	5	8.5
Europe	2	3.4
America	1	1.7
Total	59	100.0

### Instruction language in your last degree of education:

Table (4.7) shows that Instruction language in the last degree of education "Arabic" represents 1.7%, "English" represents 96.6%, and "Other" represents 1.7%.

The results indicates that majority of respondents obtained last degree from institution where the Instruction language is English. English languages considered one of the main language use in international communication, this can assist Palestinian firms to operate more efficiently in international market.

**Table (4.7) Instruction language in your last degree of education**

Instruction language in your last degree of education	Frequency	Percent
Arabic	1	1.7
English	57	96.6
French	-	-
German	-	-
Other	1	1.7
Total	59	100.0

### Education background (*Majors*):

Table (4.8) shows that **Education background** "Pharmacy" represents 33.9%, "Management" represents 27.1%, "Engineering" represents 6.8%, "science" represents 25.4%, and "others" represents 6.8%. The results indicates that majority of respondents have obtained degree related to science field. Pharmaceutical industry is highly sophisticated industry, thus the industry depends on pharmacists, Management professionals' and engineers, it could assume that this variety of employees will help the firm to perform international business effectively.

**Table (4.8) Education background**

Education background	Frequency	Percent
Pharmacy	20	33.9
Management	16	27.1
Engineering	4	6.8
Science	15	25.4
Other	4	6.8
Total	59	100.0

## 4.3 Analysis of the variables of the study:

### Table (4.9) shows the following results:

The mean of the field "Modes of entry" equals 7.28 (72.81%), Test-value = 6.75, and P-value=0.000 which is smaller than the level of significance  $\alpha = 0.05$ . The T sign of the test is positive, so the mean of this field is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed to field of "Modes of entry".

Table (4.9) shows that the "Palestinian pharmaceutical companies' employees agreed with the presence of the positive influence of "mode of entry" on export performance; this results reveals that respondents prefer export mode, then contractual

mode and in the last investment mode of entry to international market, it is not separated strategy but it is coherent strategy depend in the right choice and the degree of commitment and risk, the entry process can be developed through evolution. The result shows there is a positive effect of the mode of entry on export performance, this agree with Zafar U. A., Osman M., Brian T., and James P. J. (2002). Douglas and Craig (1989) found that entry strategy reflects the evolution of internationalization of the firm.

According to (Hill, Hwang et al. 1990) the entry mode depends on many internal and external factors like the international marketing strategy, environment factors, cost consideration, and global strategic objective. It cannot be stated categorically which alternative is the best. There are many internal and external conditions which affect this choice and company may use more than one of these methods at the same time. (hollensen. 2008).

It can be concluded that Palestinian pharmaceutical companies' prefer export mode of entry because it is low risk and high flexible to them. This result is consistent with (puljeva and widen 2007) who indicated that the Swedish companies intend to initiate their internationalization through export before using more resource intense market entry.

According to Madsen (1989) previous research has shown that no single entry strategy can be regarded as universally optimal. Therefore Palestinian firm can use blend of entry modes. Reid (1981) stats that Exporting is generally regarded as the dominant mode of entry into a Foreign market; according to Root (1994) the choice of market entry mode is one of the most critical strategic decisions firm, It affects internationalization process and affect the performance of the firm entry process is evolution process from export stage through the foreign production. Ultimately ;the Palestinian firms show different entry mode, as they can enter simultaneously as many markets as Pharmacare and Birzeit. It can be concluded that there is no certain formula for the entry mode is the best choice.

**Table (4.9) Means and Test values for “Modes of entry”**

	Item	Mean	Proportional mean (%)	Test value	P-value (Sig. )	Rank
1.	Export entry modes (direct, indirect, agent, branch/subsidiary)	7. 60	75. 96	8. 18	0. 000*	1
2.	Contractual entry modes (licensing, franchising, technical agreement)	7. 29	72. 91	5. 80	0. 000*	2
3.	Investment entry modes (new establishment, acquisition, joint venture)	6. 85	68. 55	3. 34	0. 001*	3
	<b>All paragraphs of the field</b>	7. 28	72. 81	6. 75	0. 000*	

\* The mean is significantly different from 6

### **Export planning:**

**Table (4. 10) shows the following results:**

The mean of the field “export planning” equals 7.46 (74.64%), Test-value = 8.35, and P-value=0.000 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this field is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed to field of "export planning".

The lowest mean of paragraph #8 “Our firm has R&D for export markets” equals 6. 95 can be justified in the light of the high expensive of the research in pharmaceutical industry, Palestinian companies can't afford the high cost of research. According to (Gassmann, et al. 2008) drug development costs per new drug approval is about 1. 5 \$ billion in united state in year 2008.

The analysis results shows that "Palestinian pharmaceutical companies" respondents agreed with the presence of the positive influence of the "export planning" on export performance. This reveals that companies have " export planning" for export, the plan can assist and guide the employees to focus on exporting and enhance their performance.

This result agree with the study conducted by Johanson, & Vahlne, (1977) which note that planning can be expected to affect export behavior, and agree with Madsen, (1989) states that there is a significant relationship between planning and export performance, and agree with Cavusgil, and. Zou (1994) who state that "poor performance in export markets was attributed to factors such as lack of proper attention to strategy planning". Lamont, (2002) agrees with Leonidou, Katsikeas, Palihawadana, & Spyropoulou, (2007) who stated that export markets should be based on a preliminary planning of the stated that activities that need to be undertaken to serve these markets. Bijmolt, & Zwart, (1994) who states that export planning seem to be more important influencing export performance. Lukas, Whitwell, & Hill, (2007) stated that There is strong support in the export literature for a positive relationship between export planning and export performance; Shoham (1999) states that the positive impact of export planning on export performance in his studies.

**Table (4.10) Means and Test values for "Export planning"**

	Item	Mean	Proportional mean (%)	Test value	P-value (Sig. )	Rank
1.	Our firm have Developed competitive export strategies	7. 31	73. 05	6. 63	0. 000*	7
2.	Our firm have Establishment of exporting goals	7. 80	77. 97	8. 96	0. 000*	1
3.	Our firm have Existence of an export product policy	7. 80	77. 97	8. 96	0. 000*	1
4.	Our firm have Existence of an export promotion policy	7. 32	73. 22	6. 25	0. 000*	6
5.	Our firm have Existence of an export distribution policy	7. 34	73. 39	5. 59	0. 000*	5
6.	Our firm have Existence of an export pricing policy	7. 71	77. 12	8. 92	0. 000*	3
7.	Our firm have Export production policy	7. 49	74. 92	7. 52	0. 000*	4
8.	Our firm have R&D for export markets	6. 95	69. 49	4. 04	0. 000*	8
	<b>All paragraphs of the field</b>	7. 46	74. 64	8. 35	0. 000*	

\* The mean is significantly different from 6

### **Market research:**

**Table (4.11) shows the following results:**

The mean of the field "Market research" equals 7. 16 (71. 60%), Test-value = 7. 08, and P-value=0. 000 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this field is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed to field of "Market research".

The general results for all statements of the field show that the average mean of the field "Market research" equals 7. 16 (71. 60%), Test-value = 7. 08, and P-value=0. 000 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this field is significantly greater than the hypothesized value 6, which means the respondent of the sample agrees that Market research utilization has appositive influence on export performance.

The ranking of export performance variable indicates that, the Palestinian companies mostly need to "Obtaining knowledge about market" to achieve high export performance, The second most affect export performance is " knowledge about market when starting to export". The " Firm Possession of a unique/patented product " is the last variable in the ranking may affect export performance. The results indicates that the respondents understand the importance of "market research effect on export performance, paragraph #3 "Firm Possession of a unique/patented product will encourage export strategy" equals 6. 67 (66. 67%), show less support from respondent to the paragraph, this can be justify by the reality of the high cost to Palestinian firm to obtain patent drug due to high research cost and shortage of research.

The results agree with Singer, & Czinkota, (1994) which states that Export policy can be effective if there is information about the market, and agree with Leonidou (1998). States that An efficient marketing intelligence system may also greatly enhance export performance, by providing timely, accurate and reliable information on overseas corporate strategy, and consistent with Johnston and Czinkota (1982) concluded that A specialized advantage or know-how in one or more marketing activities was often cited as an important catalyst for beginning and sustaining export operations. and agree with Madsen, (1989) " market research is a means for developing guidelines for successful export marketing management performance, and agree with Leonidou, . et. al. (2007) states that export market research utilization generally translates to greater internalization of relevant knowledge regarding target export markets, and agree with Souchon, et. al. (2003) state that information use is crucial for effective export decision making and ultimately export performance, and agree with wheeler. et. al (2008) conclude that Export market research utilization generally translates to greater internalization of relevant knowledge regarding target export markets, and agrees with Cavusgil, and S. Zou (1994) and agrees with Zou, & Stan, (1998). Köksal (2008) states that the Turkish companies possess information and market research can positively improve their export performance.

**Table (4.11) Means and Test values for "Market research"**

	Item	Mean	Proportional Mean (%)	Test value	P-value (Sig. )	Rank
1.	We have knowledge about market when starting to export	7. 63	76. 27	8. 55	0. 000*	2
2.	Firm Possession of proprietary technical knowledge will enhance export strategy	7. 53	75. 25	9. 93	0. 000*	3
3.	Firm Possession of a unique/patented product will encourage export strategy	6. 67	66. 67	2. 17	0. 017*	10
4.	firm Extending life-cycle of products will positively encourage export strategy	6. 67	66. 72	2. 43	0. 009*	9
5.	We have number of information sources to be used	7. 32	73. 22	7. 48	0. 000*	4
6.	Our firm Obtaining knowledge about market, will encourage export strategy	7. 98	79. 83	11. 32	0. 000*	1
7.	We depend on customer perception to produce product uniqueness	7. 20	72. 03	5. 72	0. 000*	5
8.	We depend on customer perception to achieve product quality	7. 07	70. 68	4. 77	0. 000*	6
9.	We depend on customer perception to achieve product and package design	6. 78	67. 80	3. 12	0. 001*	7
10.	We depend on customer perception to strengthen our product	6. 78	67. 80	3. 29	0. 001*	7
	<b>All paragraphs of the field</b>	7. 16	71. 60	7. 08	0. 000*	

\* The mean is significantly different from 6

## **Market strategies adaptation**

**Table (4. 12) shows the following results:**

The mean of the field "Market strategies adaptation" equals 7. 19 (71. 87%), Test-value = 7. 21, and P-value=0. 000 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this field is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed to field of "Market strategies adaptation".

The results indicate that the " Market strategies adaptation" elements that has the greatest level of adaptation is product, followed by distribution, price, and promotion.

Product adaptation is found to be the strongest effect on export performance, respondents emphasis on "Product quality", that is expected because pharmaceutical industry is "quality oriented", this slightly agree with Kacker, (1975). Most exporters in India enter into export venture with minimal Changes in the product design, in the case of Palestinian firms it is clear that the pharmaceutical products are subject to the tough standard of the international specification issued by world health organization WHO and other organization like food and drug administration FDA of united state of America, thus; they can concentrate on the using of quality standard and the other marketing product mix, the respondents show that the brand name not affect the performance, it can be explained that Palestinian firm as well as most developing countries have not own international brand name for drug.

Product adaptation seems to have neutral effect according to Wheeler, Ibeh, & Dimitratos, (2008) The impact of adaptation strategies on the export performance of UK firm shows some neutral effects reported for product adaptation.

According to the research review by Miesenbock, (1988). Past literature indicates that unique or very sophisticated products and patents were found decisively associated with success in exporting. In most foreign markets, good product quality and design as well as good product marketing help to increase export success.

Promotion adaptation is found to be the least effect market strategies adaptation on export performance. Results show that "Public relations emphasis" positively affects export it has no effect on export performance, that can be explained in the light of the medical advertisement depending mainly on the physician visit to the private clinic and hospital, so public relation is more effective in promotion, while using media and newspaper for medical promotion subjected to many restriction by the law.

The results of promotion adaptation generally supported its effect on the export performance, this agree with Zou, & Stan (1998). Effects of promotion adaptation on various measures of export performance appear mixed. and dont agree with Cavusgil, & Zou, (1994) Given the unexpected negative impact of promotion adaptation on export performance.

Results show that Price adaptation affect export performance. They show that "Quality/price relationship" strongly affects export performance, while "Price discount policy" has the least effect on export performance in this field. That indicates the respondents see there should be fair price for the high quality of the firm product, the appropriate price has good impact on consumer who find the price justify by the high quality of the drug, and they are not in favor for the discount policy, because the urgent need for the fund to increase the firm investment.

This agrees with Madsen, (1989) On opposite grounds one can attempt to explain the weak impact that price competitiveness appears to have on export performance. Low price will tend to increase buyer uncertainty. It agree relatively to Kacker, (1975) pricing is not considered as a critical element in the export marketing of India exporters. Indian exporter regard international price level as something given or uncontrollable.

Results show that distribution adaptation affect export performance. They show that "Accomplishment of delivery deadlines" strongly affects export performance, while "Criteria to select the distribution system" has the least effect on export performance in this field. That indicate the respondents see committed to deliver the product on time. This reflects high commitment from the employees. Respondents are aware about the turmoil situation in Palestine and they know the restriction on the transportation applied by Israeli occupation, thus they can't use rigid criteria for transportation and they strongly in favor to transportation strategy to cope with this difficult situation. This agrees with Wheeler, Ibeh, & Dimitratos, (2008) good distribution channel appears to impact favorably on export performance.

General results indicate that there is an effect for market strategies adaptation on export performance with slight difference to each strategies. This agrees with Madsen, (1989); Cavusgil, & Zou, (1994); Zou, & Stan, (1998); Leonidou, (1998). ; Wheeler, Ibeh, & Dimitratos, (2008). The previous research shows mix results of the effect of market strategies adaptation on export performance as following: Cavusgil and Zou (1994) it is not surprising that high product adaptation enhanced performance for export ventures; Tookey (1964). Export-oriented firms reported that they are willing to adapt their products more than other firms do; Cavusgil and Kirpalani (1993) reported that high product adaptation enhanced performance in initial market entry and in subsequent penetration ; According to Shoham, A. (2003) marketing mix element that has the greatest level of adaptation is distribution, followed by price, promotion, and product; Doherty, G., & Ennew, C. T. (1995). concluded in their research that, An exploratory analysis of the pharmaceuticals market in Europe; suggests that the conditions favouring standardization in marketing are relatively weak and where there is marketing standardization it is highest in relation to the core product features (formulation, dosage and tablet size). Other aspects of marketing such as communication pricing and packaging still appear to be relatively different across markets reflecting variation in market needs and market conditions. basic product is significantly more standardized than communications or packaging/pricing. There is no significant difference in the degree of standardization of communication and pack/price; Wheeler, Ibeh, & Dimitratos, (2008) stated that the impact of adaptation strategies on the export performance of UK firms appears to be mixed. As Table 2 shows, some neutral effects were reported for product.

**Table (4.12) Means and Test values for “Market strategies adaptation”**

	Item	Mean	Proportional Mean (%)	Test value	P-value (Sig. )	Rank
1.	Product’s brand name strategy	7. 14	71. 36	5. 81	0. 000*	6
2.	Product design	7. 40	74. 04	7. 25	0. 000*	4
3.	Product labeling	7. 36	73. 56	7. 32	0. 000*	5
4.	Product quality	8. 25	82. 54	11. 02	0. 000*	1
5.	Range of variety of main exporting product line	7. 56	75. 59	8. 84	0. 000*	3
6.	product precautions	7. 97	79. 66	9. 04	0. 000*	2
<b>Product Adaptation</b>		<b>7. 62</b>	<b>76. 17</b>	<b>10. 10</b>	<b>0. 000*</b>	
1.	Advertising idea/theme	6. 67	66. 72	3. 07	0. 002*	4
2.	Media channels for advertising	6. 00	60. 00	0. 00	0. 500	5
3.	Promotion objectives	6. 93	69. 32	4. 09	0. 000*	2
4.	Budget for promotion	6. 86	68. 62	3. 77	0. 000*	3
5.	Public relations emphasis	7. 33	73. 33	6. 86	0. 000*	1
6.	Direct marketing/mailing	5. 91	59. 12	-0. 27	0. 395	6
<b>Promotion Adaptation</b>		<b>6. 59</b>	<b>65. 88</b>	<b>2. 90</b>	<b>0. 003*</b>	
1.	Determination of pricing strategy	7. 24	72. 41	6. 50	0. 000*	3
2.	Concession of credit	7. 26	72. 59	6. 74	0. 000*	2
3.	Price discount policy	6. 93	69. 32	3. 96	0. 000*	4
4.	Quality/price relationship	7. 39	73. 90	6. 73	0. 000*	1
<b>Price Adaptation</b>		<b>7. 21</b>	<b>72. 12</b>	<b>7. 02</b>	<b>0. 000*</b>	
1.	Criteria to select the distribution system	7. 10	71. 02	4. 95	0. 000*	5
2.	Transportation strategy	7. 31	73. 05	6. 03	0. 000*	2
3.	Budget for distribution	7. 19	71. 86	5. 73	0. 000*	4
4.	Distribution network	7. 31	73. 05	5. 65	0. 000*	2
5.	Accomplishment of delivery deadlines	7. 86	78. 57	9. 15	0. 000*	1
<b>Distribution Adaptation</b>		<b>7. 35</b>	<b>73. 46</b>	<b>6. 67</b>	<b>0. 000*</b>	
<b>All paragraphs of the field</b>		<b>7. 19</b>	<b>71. 87</b>	<b>7. 21</b>	<b>0. 000*</b>	

\* The mean is significantly different from 6

### **Export Performance:**

**Table (4. 13) shows the following results:**

The mean of paragraph #1 “export has improved our global competition” equals 7. 32 (73. 22%), Test-value = 7. 55, and P-value = 0. 000 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this paragraph is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed with this paragraph.

The mean of paragraph #9 “our export venture has fully met our expectations” equals 6. 68 (66. 78%), Test-value = 3. 37, and P-value = 0. 001 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this paragraph is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed with this paragraph.

The mean of the field “Strategic export performance” equals 7. 07 (70. 66%), Test-value = 6. 85, and P-value=0. 000 which is smaller than the level of significance  $\alpha = 0.05$ . The sign of the test is positive, so the mean of this field is significantly greater than the hypothesized value 6. It can be concluded that the respondents agree with field of “Strategic export performance ”.

The mean of the field "export performance" equals (70.66%), so the mean of this field is significantly greater than the hypothesized value 6. It can be concluded that the respondents agreed to field of "export performance" it indicates that respondents see internationalization is a successful strategy to achieve firm goal. This agrees with Johanson, & Vahlne, (1977) who state that many firms consider internationalization promising strategy.

Paragraph #1 "export has improved our global competition" appears to have strong effect on export performance, it is obvious that PPI achieve good reputation in global market, this agree with Cavusgil and Zou, (1994) found that Marketing strategy of firms' of international competence, Have emerged as key success factors in export marketing, paragraph #2 "export has Strengthen our strategic position" and paragraph #6 " export has achieved rapid growth " appears to have good agreement from the respondents that marketing strategy strengthen firm position in international market and contribute to the firm growth, it indicates that respondents know there is growth and improvement of firm abroad. They are involved in the growth of export and receiving the increasing order for export, results agree with Madsen, (1989) Export growth is mainly affected positively by close monitoring of market changes.

Paragraph #4 " export has been very profitable " appears that there is moderately agree with this field to the profitability of export, in a study by Taylor, & Osland, (1998) state that profit consider the highest effect on export by Japanese firm, the justification of the results from respondents may be the firm don't disclose the profit generated from export separately, thus respondents not participate in budgeting and don't know the profit. this agree with Madsen, (1989) note that Export profitability. On the other hand, it is primarily influenced by the extent of budgeting.

While paragraph #9 " our export venture has fully met our expectations" shows that the respondents slightly satisfy with their expectation to the export results. That means that respondents expected more successful results from the export venture.

General results indicate that respondents satisfy with their marketing strategy and believe the internal determinants affect the export performance, the results agree with Cavusgil and Zou's (1994) export performance is determined mainly by export marketing strategy, And agree with Shoham (1998) documented high correlations between objective and satisfaction-based measures of export performance. Results show that respondents strongly agree with the firm performance of the export venture in paragraphs related to achievement of strategic objectives " global competition, position in the global market, and global market share), and to less extent to these paragraphs related to firm financial goals (profit, sale). This reflects the opinion of the respondents toward the firm strategy and may be they are not in position to know exact profit and growth has been done due to export venture, (firm always reluctant to disclose actual export dinisty and the export percentage out of total sale). This agrees with Zou, S., Taylor, C. R., & Osland, G. E. (1998) who state that Measures such as export profit, sales, and sales growth are indicators of a firm's financial export performance, and Measures such as global competitiveness, global strategic position, and global market share are indicative of the extent to which the firm achieves its strategic goals.

**Table (4.13) Means and Test values for “export performance”**

	Item	Mean	Proportional Mean (%)	Test value	P-value (Sig. )	Rank
1.	export has improved our global competition	7.32	73.22	7.55	0.000*	1
2.	export has Strengthened our strategic position	7.31	73.05	7.69	0.000*	2
3.	export has Significantly increased our global share	6.90	68.98	4.14	0.000*	8
4.	export has been very profitable	7.00	70.00	5.02	0.000*	6
5.	export has generated a high volume of sale	7.19	71.86	6.59	0.000*	4
6.	export has achieved rapid growth	7.20	72.03	5.57	0.000*	3
7.	Our export venture has been very satisfactory	7.03	70.34	5.57	0.000*	5
8.	our export venture has been very successful	6.97	69.66	4.92	0.000*	7
9.	our export venture has fully met our expectations	6.68	66.78	3.37	0.001*	9
	<b>All paragraphs of the field</b>	7.07	70.66	6.85	0.000*	

\* The mean is significantly different from 6

generally table No.(4.14 ) shows the value for each field and the whole fields which illustrate that the average mean equal for the whole fields equal 7.232 and the weight of **Proportional mean (%)** equal 64.97% which is greater than " 60%" and the p- value equal 0.000 which is less than 0.05, which means the respondent of the sample agrees that the level of internal determinants affect on export performance was statistically satisfactory.

**Table ( 4.14) The value for each field of internal determinants and the whole fields**

	Item	Mean	Proportional mean (%)	Test value	P-value (Sig. )
1.	Means and Test values for “Modes of entry”	7.28	72.81	6.75	0.000*
2.	Export planning	7.46	74.64	8.35	0.000*
3.	Market research	7.16	71.60	7.08	0.000*
4.	Market strategies adaptation	7.19	71.87	7.21	0.000*
5.	export performance	7.07	70.66	6.85	0.000*
6	<b>All items</b>	7.232	72.316	7.248	0.000

#### 4.4 Research Hypothesis:

##### 4.4.1 Hypothesis. 1.1:

There is No significant differences among respondents at level  $\alpha = 0.05$  towards the export determinants and **Export performance Due To Firms Characteristic** (Firm size, firm age, firm sale).

##### 4.4.2 Hypothesis. 1.2:

There is no significant differences among respondents at Level  $\alpha = 0.05$  towards the export determinants and **Export performance Due To management Characteristic** (Education Level, Place Of Education, Instruction Language, Education Background, Overseas Trip).

##### Firm age:

Table (4.15) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0.05$  for the fields “Modes of entry and Strategic export

performance”, then there is insignificant difference among the respondents regarding to these fields due to Firm age. It can be concluded that the respondents’ show firm age has no effect on these fields.

Table (4. 15) shows that the p-value (Sig.) is smaller than the level of significance  $\alpha = 0. 05$  for the total fields, then there is significant difference among the respondents regarding these fields due to Firm age. It can be concluded that the respondents’ perception to "firm age" has significant effect on these fields.

From table (4. 15), it can be concluded the following:

Firms that were established and their ages are More than 40 years have positive effect on export. This indicates that firm age can positively affect export, the explanation as indicated in the table (4. 14) shows that older firms significantly concern about that the effect of the strategic planning, market research, marketing mix adaption on the export performance. This reflects that the older firm has the resource, experience, confidence to establish adaptation policy and to conduct marketing research more than younger firm, younger firms are in shortage of resource, experience to do that. This agrees with Autio, Sapienza, & Almeida, (2000) who found that The resource-based view predicts that older firms will have considerable more resources than younger firms. And agree with Brouthers, & Nakos, (2005) who found that older firms performed better in foreign markets, Perhaps the greater experience accumulated by older firms may assist them in international export markets, the study is Contrary to finding of Ursic and Czinkota (1984) The research reported that younger firms are much more favorably disposed toward and active in international marketing than older firm, and to Brouthers, & Nakos, (2005)found that Company age has been shown to influence export performance; younger firms appear to be better exporters, and (Das, 1994) who found that firm’s age, expressed as number of years in business, it appears to have either a negative effect, and to Zou, & Stan, (1998) also reported that firm’s age has an insignificant effect on export; according to Kaynak, & Kuan, . (1993) who found that Taiwanese firms with higher export profitability performance are newcomers in the export business, not experienced firms. Younger firms not preoccupied with export know-how are more likely to adapt to and succeed in the turbulent export environment.

**Table (4.15) Independent Samples T-Test of the fields and their p-values for Firm age**

No.	Field	Test Value	Sig.	Means	
				40 years and Less	More than 40
1.	Modes Of Entry	-1. 654	0. 104	6. 98	7. 60
2.	Strategic Planning	-2. 559	0. 013*	7. 04	7. 90
3.	Market Research	-3. 526	0. 001*	6. 64	7. 70
4.	Product Adaptation	-3. 175	0. 002*	7. 15	8. 10
5.	Promotion Adaptation	-4. 352	0. 000*	5. 83	7. 37
6.	Price Adaptation	-2. 948	0. 005*	6. 74	7. 70
7.	Distribution Adaptation	-3. 303	0. 002*	6. 74	7. 97
8.	Market Strategies Adaptation	-4. 000	0. 000*	6. 61	7. 78
9.	Strategic Export Performance	0. 924	0. 359	7. 21	6. 92
	All paragraphs of the questionnaire	-3. 115	0. 003*	6. 81	7. 62

\* Means differences are significant at  $\alpha = 0. 05$

**Company size:** (by number of employees)

Table (4. 16) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0. 05$  for the fields “Modes of entry, strategic planning and Strategic export performance”, then there is insignificant difference among the respondents regarding to these fields due to Company size. We conclude that the respondents’ Company size has no effect on these fields.

Table (4. 16) shows that the p-value (Sig.) is smaller than the level of significance  $\alpha = 0. 05$  for the other fields, then there is significant difference among the respondents regarding to these fields due to Company size. It can be concluded that the respondents’ firm size has significant effect on these fields.

From table (4. 16 ), it can be conclude the following:

Firm with "140 employees" has greater effect on export performance comparing with other firms, while the firm with " 282 employees" has less effect, this completely agrees with results of export marketing literature indicated that the effect of the firm size on export performance appear to be mix and controversial, Miesenbock, (1988). Aaby, & Slater, (1989) stated that "there is little agreement regarding the impact of organization size on export performance. They Concluded company size by itself is not an important factor unless it is linked to aspects such as financial strength or variables related to economies of scale"; Czinkota, & Johnston, (1983) broad generalizations concerning the size of firms an exporting appear to be inappropriate.

Some Researchers supported the small firm size positively affect export performance, argue that small firms have flexibility and more capabilities to avoid risk by exit from export market with little cost, Bonaccorsi, (1992). Small firms reduce the risk involved in export activity is through ensuring they can exit with little cost. Second explanation is the small firms concentrate on export market and employ more resource to the export activities. This agree with Kaynak, & Kuan, (1993) Successful exporters are smaller firm size and characterized by employing more people in export operating units. The result of small is firm consistent with Das, (1994) who found that firms with higher export intensity were small.

Miesenbock, (1988) states that Empirical findings of firm size effect have been mixed, but the results tend to show that large firm is easier to start export, the number of full time employees are found to correlate positively to export. Large size firm appears to be more favorable to export, and respondents agree that the size of large firm positively affects the export performance. The explanation can be understood in the light of the large firms which have more resource and experience to utilize it in export activities. The table shows that the large firm can conduct "market research, strategic planning, adopt product, more than small size firm. Autio, Sapienza, & Almeida, (2000) found that Larger firms tende to be more internationalized, Williams, (2011) With a larger resource stock, firms may perceive the risk of doing business abroad as lower because they will be better prepared to deal with challenges, therefore, there may be a greater motivation to engage in international business, Williams, (2011) states that size, not age, of the small firm is the most important factor in explaining export performance; Leonidou, (January 01,

1998) notes that the majority of the organizational factors revealed inconclusive associations with this dimension of exporting, particularly in relation to company size (whether measured in terms of number of employees, sales turnover, or total assets).

**Table (4. 16) One- Way Analysis of Variance (ANOVA) of the fields and their p-values for Company size**

No.	Field	Test Value	Sig.	Means			
				140	170	260	282
1.	Modes of entry	2. 525	0. 067	7. 56	7. 67	6. 48	7. 59
2.	strategic planning	2. 631	0. 059	7. 98	7. 72	6. 80	7. 32
3.	Market research	12. 835	0. 000*	7. 96	7. 11	5. 94	7. 44
4.	PRODUCT ADAPTATION	9. 150	0. 000*	8. 10	8. 09	6. 47	7. 93
5.	Promotion Adaptation	7. 846	0. 000*	7. 50	7. 09	5. 41	6. 31
6.	PRICE ADAPTATION	9. 861	0. 000*	7. 93	7. 19	6. 00	7. 59
7.	DISTRIBUTION ADAPTATION	5. 795	0. 002*	8. 02	7. 87	6. 18	7. 39
8.	Market strategies adaptation	10. 095	0. 000*	7. 88	7. 58	6. 02	7. 29
9.	Strategic export performance	2. 273	0. 090	7. 19	6. 31	6. 91	7. 55
	<b>All paragraphs of the questionnaire</b>	7. 556	0. 000*	7. 77	7. 29	6. 31	7. 37

\* Means differences are significant at  $\alpha = 0. 05$

### **Education levels:**

Table (4.17) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0. 05$  for each field, then there is insignificant difference in respondents' answers toward each field due to Education levels. It can be concluded that the characteristic of the respondents Education levels has no effect on each field.

An explanation for this may be that employees educational level are mostly Bachelor degree (69. 5%) and master has (25. 4%) of the total population, the background of their education is scientific, thus their perception toward export is similar.

The results are not consistent with the literature marketing review, Simpson, & Kujawa, (1974).who Concluded that export of the firm influenced by the managers enjoy higher level of education, but their study compare between exporter and non exporter, so result may not be relevant to this study result. Kau Ah Keng, (1993). concluded that exporting and non-exporting firms chief executives of exporting firms had statistically higher levels of education than their counterparts in non-exporting firms; Maurel, (2009) level of education, seem to play an important role in the improvement of the export performance; the result of the study relatively agree with Zou, & Stan, (1998) Concerning managers' levels of formal education and general business experience, about a third of the reviewed studies found that this has a positive effect on export sales.

**Table (4. 17): Independent Samples T-Test of the fields and their p-values for Education levels**

No.	Field	Test Value	Sig.	Means	
				Bachelor and less	High study
1.	Modes Of Entry	-1. 860	0. 068	7. 07	7. 83
2.	Strategic Planning	-2. 080	0. 052	7. 75	8. 05
3.	Market Research	-1. 840	0. 071	6. 98	7. 64
4.	Product Adaptation	-0. 902	0. 371	7. 53	7. 85
5.	Promotion Adaptation	-0. 174	0. 863	6. 57	6. 65
6.	Price Adaptation	-1. 887	0. 064	7. 02	7. 73
7.	Distribution Adaptation	-0. 918	0. 362	7. 23	7. 65
8.	Market Strategies Adaptation	-0. 954	0. 344	7. 09	7. 45
9.	Strategic Export Performance	-0. 884	0. 381	6. 98	7. 29
	<b>All paragraphs of the questionnaire</b>	-1. 581	0. 119	7. 07	7. 57

**Place of college education:**

Table (4.18) shows that the p-value (Sig.) is smaller than the level of significance  $\alpha = 0. 05$  for the fields “product adaptation, promotion adaptation, price adaptation and Market strategies adaptation”, then there is significant difference among the respondents regarding to these fields due to Place of college education. It can be concluded that the respondents’ Place of college education has significant effect on these fields.

Table (4.18) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0.05$  for the other fields, then there is insignificant difference among the respondents regarding to these fields due to Place of college education. It can be concluded that the respondents’ Place of college education has no effect on these fields. It can be concluded the following: For the fields" Product Adaptation, Promotion Adaptation, Price Adaptation and Market strategies adaptation ", Palestine has higher than other places of college education.

An explanation of the support of pharmacists to adaptation is that the pharmacists graduated from Palestinian universities form (61%) of study population, pharmacists are more involved in management and production. They have sufficient knowledge of the specification of the drug manufacturing and marketing, The results show that there is focus on product adaptation, this reflects the high standard of the Palestinian graduates who have been selected for university admission according to their excellent marks and merit system. Another justification is that employees graduated from Palestinian university feel *patriotic* and display their *enthusiasm* for the export from Palestine. This agrees with Tookey (1964) who states that some American companies export for patriotic reasons. It appears that Palestinians graduates are more committed to export and believed it can achieved the objective of the firm. Dichtl et al. (1984) "managers who have committed themselves to exporting were involved in foreign experience "; Da Rocha, & da Cunha, (1990) found that The aggressive exporters had spent much more time abroad.

In contrast, many researchers concluded that international experience (education abroad, visit, living abroad, foreign language), positively affects export performance, Simpson, C., & Kujawa, D. (1974); Kaynak, & Kuan, (1993). Ruzzier, Antoncic Hisrich, & Konecnik, . (2007) who conclude that entrepreneurs who were most exposed to foreign cultures through travel or residence likely accumulate experiential knowledge of international market characteristics which benefit them when internationalizing their firms; Leonidou, Katsikeas; Piercy, (1998) state that educational level may affect export performance, ; Holzmüller, ., & Kasper, (1991) note that managers in exporting firms had spent more time abroad than managers in non exporting firms appear to affect positively export performance.

**Table (4.18) One- Way Analysis of Variance (ANOVA) of the fields and their p-values for Place of college education**

No.	Field	Test Value	Sig.	Means		
				Palestine	Arab countries	Other
1.	Modes Of Entry	2. 917	0. 063	7. 60	6. 55	7. 17
2.	Strategic Planning	0. 191	0. 826	7. 52	7. 28	7. 56
3.	Market Research	1. 609	0. 209	7. 37	6. 68	7. 13
4.	Product Adaptation	3. 271	0. 045*	7. 91	6. 99	7. 48
5.	Promotion Adaptation	3. 271	0. 045*	6. 93	5. 75	6. 65
6.	Price Adaptation	5. 184	0. 009*	7. 58	6. 35	7. 19
7.	Distribution Adaptation	2. 443	0. 096	7. 68	6. 69	7. 05
8.	Market Strategies Adaptation	4. 188	0. 020*	7. 52	6. 45	7. 08
9.	Strategic Export Performance	0. 457	0. 635	7. 01	6. 99	7. 44
	<b>All paragraphs of the questionnaire</b>	2. 061	0. 137	7. 40	6. 74	7. 24

\* Means differences are significant at  $\alpha = 0. 05$

### **Education background:**

Table (4.19) shows that the p-value (Sig.) is greater than the level of significance  $\alpha = 0. 05$  for the fields “Price Adaptation and Strategic export performance”, then there is insignificant difference among the respondents regarding to these fields due to education background. It can be concluded that the respondents’ education background has no effect on these fields.

Table (4.19) shows that the p-value (Sig.) is smaller than the level of significance  $\alpha = 0. 05$  for the other fields, then there is significant difference among the respondents regarding to these fields due to education background. It can be concluded that the respondents’ education background has significant effect on these fields.

Results of the total valid items show that " others" have strong positive effect of determinants on export, while ;the " Management" background employees show less support comparing to other, this may be due to that; other belong to owners of the firm and eager to support more and the percentage of them is (6. 8%) out of total population, so it doesn't reflect the exact opinion of the population, pharmacists who represent one third of the study population less support to the effect of determinants on export performance, this result reflects realistic opinion of the pharmacists toward

evaluation export performance. It is interesting that the results show more contestant between the group toward product adaptation.

Reid (1981) argues that determinants like educational background is antecedents of attitudes towards export marketing; Leonidou,; Katsikeas,; Piercy, (1998) Educational Background may affect export performance; Maurel, (2009) found that Decision-maker characteristics i. e. educational background is positively affect export performance.

**Table (4.19) One- Way Analysis of Variance (ANOVA) of the fields and their p-values for education background**

No.	Field	Test Value	Sig.	Means			
				Pharmacy	Management	Science	Other
1.	Modes Of Entry	2. 955	0. 041*	7. 72	6. 58	7. 00	8. 00
2.	Strategic Planning	6. 635	0. 001*	7. 78	6. 78	7. 03	8. 86
3.	Market Research	4. 213	0. 009*	7. 51	6. 58	6. 81	8. 13
4.	Product Adaptation	3. 492	0. 022*	8. 15	7. 11	7. 20	8. 08
5.	Promotion Adaptation	3. 943	0. 013*	7. 20	6. 20	5. 77	7. 38
6.	Price Adaptation	1. 394	0. 254	7. 34	7. 30	6. 67	7. 75
7.	Distribution Adaptation	2. 892	0. 043*	7. 87	6. 55	7. 17	7. 95
8.	Market Strategies Adaptation	3. 187	0. 031*	7. 66	6. 77	6. 69	7. 79
9.	Strategic Export Performance	1. 144	0. 340	7. 32	6. 63	7. 23	7. 00
	<b>All paragraphs of the questionnaire</b>	4. 140	0. 010*	7. 59	6. 69	6. 89	7. 89

\* Means differences are significant at  $\alpha = 0. 05$

#### 4.4.3 Hypothesis 2.1:

There is no significant relationship at level  $\alpha = 0. 05$  between **Mode of entry** of Palestinian pharmaceutical firms and **export performance**.

Table (4.20) shows that the correlation coefficient between Mode of entry and export performance equals. 438 and the p-value (Sig.) equals 0. 000. The p-value (Sig.) is less than 0. 05, so the correlation coefficient is statistically significant at  $\alpha = 0. 05$ . it can be concluded there exists a significant relationship between Mode of entry and export performance.

According to the results, the hypothesis "Mode of entry of Palestinian pharmaceutical firms positively influence export performance" is accepted, it appears that there is strong correlation. This indicates that the mode of entry affect export performance, this mean that employees of Palestinian pharmaceutical firm play important role in determining the right entry to international market, they believe the entry mode for their firms can achieve the desire result for their firms, this is consistent with Mayer, & Flynn,(1973) "firms success in international market is due to reasonable market selection and penetration approach that can be employed by smaller firm "fellow the leader". This approach keeps marketing cost down"; Reid,(1983) states that "The export expansion process is shown to be selectively influenced by a firm's administrative capacity to co-ordinate and control critical changes in transaction periodicity, growth and volume"; Root (1994) concludes that the choice of market entry mode is one of the most critical strategic decisions firm. It affects future decisions and performance in foreign markets; Hoang, (1998). indicates that export performance is significantly influenced by a firm's choice of market expansion strategy.

**Table (4.20) Correlation coefficient between Mode of entry and export performance**

Hypothesis	Pearson Correlation Coefficient	P-Value (Sig. )
Mode of entry of Palestinian pharmaceutical firms positively influence export performance	. 438	0. 000*

\* Correlation is statistically significant at 0. 05 level

#### 4.4.4 Hypothesis 2.2:

There is no statistical relationship at significant level  $\alpha = 0. 05$  between **Export planning** of Palestinian pharmaceutical firms and **export performance**.

Table (4. 21) shows that the correlation coefficient between Export planning and export performance equals. 400 and the p-value (Sig.) equals 0. 001. The p-value (Sig.) is less than 0. 05, so the correlation coefficient is statistically significant at  $\alpha = 0. 05$ . It can be concluded that there exists a significant relationship between Export planning and export strategy.

According to the results, the hypothesis " Export planning of Palestinian pharmaceutical firms positively influence export performance " is accepted. it can be concluded that the importance of marketing planning can improve export performance, These results agree with most previous studies; Bilkey and Tesar (1977) found that formulated export plan is essential for success export performance; Gomez-Mejia, (1988) export performance improves if the firm provides an international Orientation to its future plans and goals; Madsen (1989) concludes that a significant relationship between planning and control intensity and export performance; Cavusgil, & Godiwalla, (1982). The firm's commitment to long-range planning should provide for a durable survival and growth of its international activities; Hoang, (1998) suggests a positive connection between formal marketing planning and export performance. It has also been suggested that marketing planning is an incremental process; Walters (1993). concludes that there is an association between export performance and formal planning activity; Dwikat (2012) indicates that Palestinian pharmaceutical firms are planning for international marketing.

**Table (4.21) Correlation coefficient between Export planning and export strategy**

Hypothesis	Pearson Correlation Coefficient	P-Value (Sig. )
Export planning of Palestinian pharmaceutical firms positively influence export strategy	. 400	0. 001*

\* Correlation is statistically significant at 0. 05 level

#### 4.4.5 Hypothesis 2.3:

There is no statistical relationship at significant level  $\alpha = 0. 05$  between **Market research** of Palestinian pharmaceutical firms and **export performance**.

Table (4.21) shows that the correlation coefficient between Market research and export strategy equals. 494 and the p-value (Sig.) equals 0. 000. The p-value (Sig.) is less than 0. 05, so the correlation coefficient is statistically significant at  $\alpha =$

0. 05. We conclude that there exists a significant relationship between Market research and export strategy.

According to the results, the hypothesis "Market research of Palestinian pharmaceutical firms positively influence export strategy performance" is accepted. it can be concluded that The Market research positively affects export performance, These result agree with most previous studies, according to Terpstra, (1983) who concludes that Marketing intelligence assists firm for achieving better economic goal, and helps planning to solve problems rise in international market; Sood, & Adams, (1984) marketing research assists firm to choose and implement a rational market entry strategy;

Souchon and Diamantopoulos (1996) concluded that, higher levels of information utilization are expected to increase company performance since companies learn to effectively manage competition, understand customer needs, and target profitable markets; Hoang, (1998). Concludes that Marketing research appears to be an important activity in facilitating a firm's international involvement; Johanson, & Vahlne, (1977) found that lacking information knowledge of international markets is considered a major obstacle in the development of international operations; Dowling, . et al (2000). Market research reduces uncertainty when conducting business in overseas operations and is valuable in determining an appropriate marketing mix, Dwikat, (2012) indicates that Palestinian pharmaceutical firms analyze targeting export market and investigate the marketing situation to enhance its export performance.

#### **4.4.6 Hypothesis 2.4:**

There is no statistical relationship at significant level  $\alpha = 0. 05$  between **Market strategy adaptation** of Palestinian pharmaceutical firms and **export performance**.

Table (4.22) shows that the correlation coefficient between Market strategy and export strategy equals. 475 and the p-value (Sig.) equals 0. 000. The p-value (Sig.) is less than 0. 05, so the correlation coefficient is statistically significant at  $\alpha = 0. 05$ . It can be concluded that there exists a significant relationship between Market strategy and export strategy.

According to the results, the hypothesis " Market strategy adaptation of Palestinian pharmaceutical firms positively influence export performance " is accepted. it can be concluded that The Market strategy affect firm export performance, These result agree with most previous studies; According to Cavusgil, & Zou, (1994) support the contention that firms can achieve better performance in international markets through deliberate marketing strategy implementation; Shoham, (2003) state that export marketing mix are related positively to export performance. It means that the four components of marketing mix affect the export performance, but not equally for each of them; Zaiem, & Zghidi, . (2011). show that the companies can improve their performance at the international markets level with the implementation of an adequate export marketing strategy.

**Table (4.22) Correlation coefficient between Market strategy and export performance**

Hypothesis	Pearson Correlation Coefficient	P-Value (Sig. )
Market strategy adaptation of Palestinian pharmaceutical firms positively influence export strategy	.475	0.000*

\* Correlation is statistically significant at 0.05 level

#### 4.4.7 Hypothesis 3:

There is no statistical effect at significant level  $\alpha=0.05$  of **export internal determinants** on **export performance** on Palestinian pharmaceutical industry.

**We use Stepwise regression and obtain the following results:**

R Square = 0.278, this means 27.8% of the variation in the export performance is explained by "Market research and Modes of entry".

Table (4.23) shows the Analysis of Variance for the regression model. Sig.=0.000, so there is a significant relationship between the dependent variable " export performance " and independent variables " Market research and Modes of entry"

**Table (4.23) ANOVA for Regression**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	21.627	2	10.813	10.396	0.000
Residual	56.169	54	1.040		
<b>Total</b>	<b>77.796</b>	<b>56</b>			

Table (4.24) shows the regression coefficients and their P-values (Sig. ). Based on the Standardized Coefficients, the significant independent variable is " Market research and Modes of entry ".

**The regression equation is:**

Export performance = 3.135+ 0.320\* (Market Research) + 0.229\* (Modes of entry).

**Table (4.24) The Regression Coefficients**

	Un-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.135	0.879		3.567	0.001
Market Research	0.320	0.126	0.334	2.537	0.014
<b>Modes of entry</b>	<b>0.229</b>	<b>0.108</b>	<b>0.278</b>	<b>2.109</b>	<b>0.040</b>

From the results shown in Table (4.23) "The Regression Coefficients" can be concluded that; the change in export performance is estimated respect to changes in "Market Research" and mode of entry", the independent variables explained approximately 27% of the effect in the dependent variable, "Market Research" emerged as the most highly effect on export performance, followed by " Modes of entry " . that mean Each additional unit of mode of entry and market research is predicted to cause unit constant increase in export performance. This indicates that

Palestinian pharmaceutical firms have to pay more attention to these determinants to improve its export performance.

The results are consistent with Hoang, (1998) export performance is significantly influenced by a firm's choice of market expansion strategy; Zou, & Stan. (1998) marketing research Utilization positively associated with export performance. Wheeler, Ibeh, & Dimitratos, (2008) found that, the reviewed result of UK empirical studies, indicated there is strong support for effect marketing research Utilization on export performance, All but 1 of the 13 findings reported on this determinant suggested positive associations with dimensions of export performance. The findings in this study contradict with other research as following: Berbel-Pineda, & Ramírez-Hurtado, (2011). In the study presented here we have revealed that a positive and significant relationship does exist between the market entry mode choice and export performance.

#### **4.4.8 Summary**

This chapter presented data analysis and discussion of the research hypothesis. The study results were discussed and linked to the results of similar studies. The results show that respondents agree with the existence of the positive impact for internal determinants on export performance.

## **Chapter Five**

### **Conclusions and Recommendations**

## **5.1 Introduction:**

This study of Palestinian pharmaceutical manufacturing export firms suggests that there is a relationship between internal determinants (firm characteristics, international marketing strategies and export performance. The research results indicate that export performance is significantly influenced by a firm's internal determinant in different degree.

## **5.2 Conclusion:**

In this review, attempts have been made to conclude the current research fields of the effect of internal determinant of Palestinian pharmaceutical firms on export performance, and the findings are illustrated as follows:

### **Management Characteristics:**

The research population show that majority of 69. 5% of the sample obtains a bachelor degree, while 25. 4% have master degree. 61% of respondents' graduated from Palestinian universities, 25. 4%, from universities in Arab countries. 96. 6%, of the respondents' studies in institution teaching in English language, 33. 9%, of respondents' hold pharmacy degree, 33. 9%, " Management, and 27.1 %, Engineering.

Respondents' graduated from Palestinian universities exert strong positive orientation of the internal determinant effect on export performance, this is contracted with the common notion imply that manager who lived, travel or studies abroad will encourage the involvement in international market more than local manger.

### **Firm characteristic:**

Results show that A firm's size, and a firm age are not obstacle for a firm to inhibit its ability to undertake export venture, although the engage in international market require reasonable resource, experience and finical capability, the small and younger firm achieves excellent performance in export performance.

### **Mode of entry**

According to the data, (72.81%), of Palestinian pharmaceutical firms (PPF) respondents agree that, there is a positive statistical significant effect of **mode of entry** on export performance. This finding shows the importance of selecting mode of entry to international market. The finding reveal that the respondents believe that Palestinian pharmaceutical firms must adopt gradual process in entering international market through export, contractual, and ultimately investment mode, this is justify in the light of avoiding risk and attain high control. It can be concluded that that (PPF), follow this original pattern of traditional Uppsala internationalization.

### **Market research**

The result show that, (71.60%), of Palestinian pharmaceutical firms (PPF) respondents agreed that, there is a positive statistical significant effect of "Market research" on export performance. This indicates that respondents are convinced "Market research" can assist the firm in "Obtaining knowledge about market", gaining "knowledge about market when starting to export" and " Firm Possession of a unique/patented product " to achieve high export performance.

### **Export Planning**

(74.64%), of Palestinian pharmaceutical firms PPF respondents agree that, there is a positive statistical significant effect of “**Strategic planning**” on export performance. This indicates the strategic planning for increasing involvement in international market appear to be important for achieving the best result in export performance, it is not surprising that the respondents realize the role of planning to response to future challenge n international market and to avoid uncertainty in turmoil situation which is characterize the world market.

### **Market strategies adaptation**

The result shows that, (71.87%), of Palestinian pharmaceutical firms' PPF respondents agreed that, there is a positive statistical significant effect of “**Market strategies adaptation**” on export performance. This indicate that respondents are convinced " Market strategies adaptation " can increase the competitive of the firm, market strategies adaptation can affect export performance positively, adaptation of the product by increasing "Product quality", to write sufficient precautions of the product and offer " Range of variety of main exporting product line" will increase export, Promotion Adaptation can be achieved by Public relations, Promotion objectives and budget. Distribution Adaptation can improve the export performance by accomplishment of delivery deadlines, good distribution network, enhance Transportation strategy, while Price Adaptation consider the least variable affect export performance of marketing strategy, although respondents show the price should be fairly connected to the quality of the product.

### **Export Performance**

The results show that, (70. 66%), of Palestinian pharmaceutical firms' PPF respondents are satisfied with the export performance for their firms. This indicates that respondents are convinced that "internal determinates" affect positively export performance in different degrees. The respondents show variant degree of acceptance for the export performance, they see that "export has improved our global competition"; "export has Strengthened our strategic position" and " export has achieved rapid growth ". they are satisfied to less extent that " export has generated a high volume of sale"; " Our export venture has been very satisfactory". Respondent have neutral concept about " export has very profitable" and " our export venture has been very successful". The respondents' expectation toward the export performance came in the end of the performance measure. This mean the respondents expected more positive results from export venture.

## **5.3 Recommendations:**

This research was an investigative study that focused on the effect of internal determinants on export performance. The study finds that Palestinian pharmaceutical firms need to improve their export performance. In light of the aforementioned results, the researcher recommends the following, wishing from firms, pharmaceutical association and governments to take them into account:

### **Recommendations for Palestinian pharmaceutical firms:**

The entry mode of the firm to international market is a gradual process, it will be improved by acquiring more experience and gaining more confidence, There is no

strategy firmly better than other; it depends on the balance between internal determinant of the firm, and external determinants of the environment "local and international".

There is a need to emphasize on strategic planning for international market for the Palestinian pharmaceutical firms (PPF) to achieve higher export performance. The planning can help firm to avoid uncertainty and discover the weakness and strength in their performance.

Firm has to proceed in utilization of international marketing research, that can assist the firm to discover new potential consumer, attract more purchase request, and helps to maintain existing buyers. marketing research helps to catch the promising opportunities in international market.

The decision whether to standardize or adapt the marketing strategy to achieve superior export performance will mainly depend on the set of circumstances that a firm faces within a particular host market. Moreover, firm should be given priority to promotion adaptation, distribution adaptation, then to product adaptation.

The firm should be aware that management commitment and management perceptions and attitudes towards export problems and incentives are good predictors of export success. Therefore; the increase involvement of management in formulation export strategy decision making is crucial to improve export performance.

#### **Recommendations for Government policy decision makers:**

The internationalization of the Palestinian firms can achieve more effective goal by having assistance from government policy, by number of ways. Government can provide information, grants, subsidies, trade insurance, and export promotion.

#### **Recommendations for pharmaceutical association:**

The recommendations are generally directed to Palestinian pharmaceutical firms PPF, In order to improve their effort in international marketing strategies, the PPF needs to improve the export performance and internationalization strategy as. Palestinian pharmaceutical industry and other association trade have to work to work collaboratively with Palestinian pharmaceutical firms to improve firms performance in international market.

#### **Recommendation for further studies:**

The present research investigates the effect of internal determinants on export performance, The researcher would like to point out that more research is needed in the area of the export performance due to the shortage research that had been conducted in this topic in the Arab World in general, and in Palestine in particular. The following are suggestions for further studies:

- Internationalization of Palestinian pharmaceutical firm.
- Mode of entry for Palestinian pharmaceutical firm.
- The influence of internal and external factors on entry mode for Palestinian pharmaceutical
- Palestinian pharmaceutical strategy for export.
- Marketing strategy influence on export performance for Palestinian pharmaceutical firm.

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## **Appendixes**

## Appendix (A): Questionnaire in Arabic



الجامعة الإسلامية - غزة  
الدراسات العليا - كلية التجارة

### صحيفة استبيان

"تأثير المحددات الداخلية لشركات الصيدلة الفلسطينية على أداء التصدير"

السادة الكرام،،،

أود مساعدتكم في استكمال دراستي " المحددات الداخلية لشركات الصيدلة الفلسطينية وتأثيرها على الأداء التصديري" هذه الدراسة لاستيفاء متطلبات شهادة الماجستير في إدارة الأعمال في الجامعة الإسلامية في غزة تحت إشراف الدكتور / رشدي وادي حضرتك مدعو للمشاركة في هذا البحث، في حال موافقتك، سوف تسأل لاستكمال الاستبيان المرفق، المعلومات التي تزودنا بها سوف تبنى "لمجهول" و تعامل بسرية، الاستبيان سيستغرق حوالي 10 دقائق لاستكماله، و مشاركتك تحظى بتقدير عالي.

وتقبلوا فائق الاحترام والتقدير

الباحث

وسام خالد الاغا

## Appendix (B): Questionnaire in English

**The Islamic University of Gaza**  
Faculty of commerce  
Business Administration Department  
MBA program



### Questionnaire

#### **" The influence of internal determinants of Palestinian pharmaceutical firms on export performance"**

**An applied study on the Palestinian pharmaceutical firms**

Dear/ Madam Sir,

#### **LETTER OF REQUEST**

I wish to request your assistance toward my study of "**The influence of internal determinants of Palestinian pharmaceutical firms on export performance**".

This research is a partial fulfillment for the requirement of a Masters degree in Business Administration from the Islamic University in Gaza under supervision of Dr. Rushdy Wady.

You are invited to participate in this research. If you agree, you will be asked to complete the enclosed questionnaire. Any information you provide will be anonymous and confidential, Upon completion of the study, data will be treated as top confidential, The questionnaire should take around 10 minutes to complete and your participation would be greatly appreciated

Thank you very much for your precious time.

Yours faithfully,

Researcher: Wesam Khaled Yousef Alagha

❖ **First: General Information:**

**Part one: organization /firm demographic characteristic** **الجزء الأول: المنظمة/ خصائص الشركة**

Please *circle/tick the appropriate* number of categories for your business listing  
برجاء تأشير الخانة / أو كتابة الرقم المناسب للتصنيف الذي بلائم شركتك ووضعك حسب رأيك

**1. Firm age** (establish year) = = عمر الشركة بالسنة (سنة الإنشاء)

Less than 20 years £	Less than 30 £	Less than 400 £	Less than 50 £	More than 50 أكبر من £
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**2. Company size** (Number of full-time employees)(عدد العاملين الدائمين) حجم الشركة

Less than 100 أقل من £	100- less than 200 £	200- less than 300 £	300 less than 400 £	More than 500 أكثر من £
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**3. Annual sales volume of firm** \$ Million المبيعات السنوية للشركة بالمليون دولار أمريكي

3-5 £	5-10 £	10-15 £	15-20 £	more than 20 أكبر من £
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**5. Number of countries firm exporting** عدد الدول التي تصدر لها الشركة

1 £	2 £	3 £	4 £	More أكثر £
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**6. Education levels** مستوى التعليم

High School ثانوي £	College كلية £	bachelor بكالوريوس £	master ماجستير £	Doctorate دكتوراه £
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**7. Place of college education** مكان التعليم

Palestine فلسطين £	Arab countries بلاد عربية £	Asia آسيا £	Europe أوروبا £	America أمريكا £
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**8. Instruction language in your last degree of education** لغة التعليم في آخر شهادة

Arabic عربي £	English انجليزي £	French فرنسي £	German ألماني £	Other أخرى £
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**9. education background** الخلفية التعليمية

Pharmacy صيدلة £	Management إدارة £	Engineering هندسة £	Science علوم £	Other أخرى £
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**Part 2: Modes of entry** (للأسواق الأجنبية) طريقة الدخول

This part of questionnaire describe the export determinants and its influence on export strategy performance.

Please, put the grade that you see appropriate form 1 to 10. Wherever the degree was close to 10, this indicates high approval on what was stated in each item and vice versa.

هذا الجزء من الاستبيان يصف محددات التصدير التي تحفز أداء الإستراتيجية التصديرية من فضلك، ضع الدرجة التي تراها مناسبة من 1-إلى 10 ، عندما تكون الدرجة قريبة ل 10 هذا يدل على مصادقة عالية للجملة و العكس صحيح

Following example: مثال كالاتي:

S/ NO	Item الجملة	(10) أعلى (1) أقل 1 lower higher(10)
	.....	←————→ 5

H2	<b>Modes of entry (للأسواق الدولية) طريقة الدخول</b> To what extent you agree or disagree with the following mode of entry as comply to your business إلى أي مدى توافق أو لا توافق على طريقة الدخول التي تلائم أعمالك	1-10
	Export entry modes (direct, indirect, agent, branch/subsidiary) طريقة التصدير (مباشر، غير مباشر، وكيل، فرع / تابع)	
	Contractual entry modes (licensing, franchising, technical agreement) طريقة دخول عبر التعاقد / الاتفاق (رخصة، حق امتياز، اتفاق تقني)	
	Investment entry modes (new establishment, acquisition, joint venture) طريقة الاستثمار في الدخول (إقامة منشأة جديدة، امتلاك، مشروع مشترك)	

H. NO	Item الجملة	
H. 3	<b>التخطيط الاستراتيجي ( تخطيط النشاط التصديري Export Planning Activity)</b>	
1	Our export customer base has been clearly defined قاعدة عملائنا التي نصدر لهم واضحة ومحددة	
2	Our firm have Developed competitive export strategies عملت شركتنا طورت إستراتيجية تصديرية منافسة	
3	Our firm have Establishment of exporting goals حددت شركتنا أهداف التصدير	
4	Our firm have Existence of an export product policy هناك سياسة لدى شركتنا للمنتج والتصدير	
5	Our firm have Existence of an export promotion policy لدى شركتنا سياسة ترويجية للتصدير	
6	Our firm have Existence of an export distribution policy لدى شركتنا سياسة ترويجية للتصدير	
7	Our firm have Existence of an export pricing policy لدى شركتنا سياسة سعريه للتصدير	
8	Our firm have Export markets to be sourced لدى شركتنا سوق محدد للتصدير	
9	Our firm have Export production policy لدى شركتنا سياسة إنتاجية للتصدير	
10	Our firm have R&D for export markets لدى شركتنا أبحاث وتطوير لأسواق التصدير	

H4	<b>Market research بحوث التسويق</b>	
1	We have knowledge about market when starting to export لدى الشركة معرفة عن السوق الذي سوف نصدر إليه	
2	Firm possession of proprietary technical knowledge will enhance export strategy تمتلك الشركة القدرات التقنية التي ستحسن إستراتيجية التسويق للتصدير	
3	Firm possession of a unique/patented product will encourage export strategy تمتلك الشركة منتج مميز/ براءة تسجيل سيثجع الإستراتيجية التسويقية	
4	Firm extending life-cycle of products will positively encourage export strategy أطالت الشركة دورة حياة المنتج وهذا سيثجع ايجابياً الإستراتيجية التسويقية	
5	We have number of information sources to be used لدى الشركة عدد من مصادر المعلومات التي يمكن استخدامها (لزيادة التصدير)	
6	Our firm obtaining knowledge about market, will encourage export strategy حصول شركتنا على المعرفة حول السوق، سيثجع الإستراتيجية التسويقية	
7	We depend on customer perception in producing unique product شركتنا تعتمد على إدراك الزبون في إنتاج منتج مميز	
8	We depend on customer perception in achieving quality product نعتد على إدراك الزبون لتحقيق جودة المنتج	
9	We depend on customer perception in achieving and package design of product شركتنا تعتمد على إدراك الزبون لإنجاز تصميم المنتج والغلاف	
10	We depend on customer perception in strengthening our product شركتنا تعتمد على إدراك الزبون لتقوية المنتج	

H5	<b>Market strategies adaptation إستراتيجية موائمة السوق</b> <b>Question:</b> Considering the marketing mix adaptation for export venture; to what extent the following strategies are influence export strategy? السؤال: اعتبر موائمة المزيج التسويقي للتصدير ، إلى أي مدى تؤثر الاستراتيجيات التالية على الإستراتيجية التسويقية	
	<b>PRODUCT ADAPTATION موائمة المنتج</b>	
	Product's brand name strategy إستراتيجية العلامة التجارية للمنتج	
	Product design تصميم المنتج	
	Product labeling وسم (بطاقة بيان) المنتج	
	Product quality جودة المنتج	
	Range of variety of main exporting product line مدى تنوع خطوط المنتج للتصدير	
	product precautions الوقاية (سلامة طبية) للمنتج	
	<b>Promotion Adaptation موائمة الترويج</b>	
	Advertising idea/theme فكرة الإعلان / الكتابة	
	Media channels for advertising القنوات الإعلامية للإعلان	
	Promotion objectives أهداف الترويج	
	Budget for promotion الموازنة الترويجية	
	Public relations emphasis التركيز على العلاقات العامة	
	Direct marketing/ mailing التسويق المباشر / البريد الإلكتروني	
	<b>PRICE ADAPTATION الموائمة التسعيرة</b>	
	Determination of pricing strategy التركيز على الإستراتيجية السعرية	
	Margins هامش الربح (الفرق بين سعر البيع وسعر الشراء)	
	Quality/price relationship التسعير المعتمد على العلاقة بين الجودة والسعر	

	<b>Distribution Adaptation</b> موائمة التوزيع	
	Criteria to select the distribution system محددات اختيار نظام التوزيع	
	Transportation strategy إستراتيجية التوصيل	
	Budget of distribution موازنة التوزيع	
	Distribution network شبكة التوزيع	
	Accomplishment of delivery deadlines التسليم في الموعد المحدد	
6	<p><b>Export performance</b> إستراتيجية الأداء التصديري  Zou, S., Taylor, C. R., &amp; Osland, G. E. (1998)  To what extent do you agree or disagree with statement regarding the Strategic export performance achievement to your firm?  إلى أي مدى توافق أو لا توافق على العبارات التالية بخصوص أداء الإستراتيجية التسويقية لشركتك</p>	
	export has improve our global competition حسن التصدير منافستنا عالميا	
	export has Strengthened our strategic position قوى التصدير موقعنا الاستراتيجي	
	export has Significantly increased our global share التصدير زاد حصتنا السوقية عالميا	
	export is very profitable التصدير مربح جداً لشركتنا	
	export has generated a high volume of sale ولد التصدير حجم مبيعات عالي لشركتنا	
	export has achieved rapid growth حقق التصدير نمو سريع لشركتنا	
	Our export venture has been very satisfactory كانت صادراتنا مشجعة للغاية	
	our export venture has been very successful كانت صادراتنا ناجحة للغاية	
	our export venture has fully met our expectations لبت صادراتنا كلياً توقعاتنا	

Thank you

### Appendix (C): List of referees

No.	Referee's name	
1.	Dr. Salim Sabbah	President of the University of Palestine
2.	Prof. Dr. Ahmad Abdulah	Faculty Of Commerce Ain-shams University. Egypt
3.	Dr Amany El Berry	Faculty Of Commerce Ain-shams University. Egypt
4.	Dr. Samir Safi	Faculty of Commerce Islamic University of Gaza. Palestine.
5.	Dr. Adnan Qubbaja	Assistant Professor, School of Finance and Management, Hebron University, Palestine.
6.	Prof. Yusuf Ashour	. Faculty of Commerce Islamic University of Gaza. Palestine.
7.	Dr. Awad Abu Alia	Executive Director at UPPM

## **Appendix (D): Palestinian Pharmaceutical Firm**

### **1. Birzeit Pharmaceutical Company**

The Palestinian Pharmaceutical industry is unique in terms of development. The industry boomed after the six days war in 1967, which resulted in closing borders with the Arab World. Prior to this event, pharmaceutical products were imported from foreign companies via importers in Jordan. After 1967, imports from Jordan became problematic. The only products available were either Israeli or products imported through Israeli agents.

The difficulty in obtaining medicine encouraged 9 pharmacists in the West Bank to establish small laboratories to manufacture simple syrups and anti-diarrheal products in 1969. Political and economic instability soon threatened the viability of capital investment in the pharmaceutical industry, and indeed in all industries. In 1970, these 9 laboratories merged in 3 larger companies, Jordan Chemicals in Beit Jala, Palestine Medical Company in Ramallah, and Jerusalem Pharmaceuticals in Al Bireh.

Today, the Palestinian pharmaceutical industry consists of 6 companies, four in Ramallah, one in Beit Jala, and one in the Gaza Strip. With products covering more than half of the local consumption. The pharmaceutical industry is a key element of the Palestinian healthcare continuum.

The Palestinian pharmaceutical industry employs more than 1,000 employees, 70 percent of them hold specialized university degrees in the different aspects of the industry. During the past decade, the industry has invested more than USD 50 million in modernizing the production processes and in improving the industry's premises, leading the Palestinian pharmaceutical industry to increase its market share in the Palestinian market from 20 percent to 55 percent.

In March 2008, and following decades of efforts and significant investments which aimed at the development of resources and production lines, and the institution of ISO procedures, international and national compliance audits, Birzeit Pharmaceutical Company was granted the World Health Organization certificate of Current Good Manufacturing Practices. The award of this certification is a considerable achievement given the difficult working conditions faced by Palestinian companies due to the Israeli occupation and restrictions, and mainly the blocking of borders and interaction with the global world. The certification reflected the achievement of international standards in manufacturing practices in a critical industry, this certification assisted the Pharmaceutical Industry and strengthened its position in the local market and increased its ability to penetrate foreign markets.

Today, foreign pharmaceutical companies have set aggressive marketing strategies focused on emerging markets and based on cost cutting and direct marketing. This strategy, was an outcome of the world economic crisis, the concentration on generic manufacturing in the world and the quest for new markets. Such strategy has affected the local generic manufacturers not only in Palestine but all over the emerging markets, which had to reconsider their pricing policy and follow direct marketing channels as well.

### **About BPC**

Birzeit Pharmaceutical Company (BPC) is Palestine's leading manufacturer of generic medicines. With more than 300 products distributed among ten production lines and covering different therapeutic ranges. BPC targets all types of customers in the local Palestinian market including Ministry of Health, local health care organizations, international health care organizations and programs, end users (through pharmacies and physicians). BPC market is not limited to the Palestinian Territory, the company has a well established presence in different export markets – mainly Algeria and East Europe.

BPC combines many factors in order to maintain its success. These factors include: obtaining the latest quality standards certificates such as cGMP (Current Good Manufacturing Practices) and ISO quality systems, strong financial position of the company, highly educated and well trained staff members distributed among the different departments, management team with good experience and high credibility, many strategic investments and alliances; local and international, ongoing product development and market development initiatives, state of the art facilities with a total area of 16,000 square meters, modern production lines operating according to the latest technology in this industry, and approved suppliers of raw and packaging materials.

**Mission:** BPC realizes that the significance of the Palestinian Pharmaceutical Industry extends far beyond the size of the revenues; and therefore its vision is to be the backbone of the health care security system in Palestine and the region with superior quality products.

Basic Information			
Registration No. :	562600122		
ISIN:	PS2008111739		
Established Date:	1973		
Listing Date:	22/12/2004		
Location	Industrial Zone - Ramallah		
P.O. Box:	79		
tel	02-2987572/4		
Fax	02-2967205		
Email.	<a href="mailto:contact@bpc.ps">contact@bpc.ps</a>		
Web site:	<a href="http://www.bpc.ps">www.bpc.ps</a>		
No. of Branches:	2		
No. of Employees:	265		
Year	2011	2010	2009
Total Shareholders' Equity	31,930,959	31,124,325	28,827,932
Paid-in Capital	13,066,14 years 2013	12,100,000	12,100,000
Net Income	2,958,471	4,097,664	3,532,095
Sale \$	2290000	2140000	2200000

#### Our History

BPC was established in 1974 in Birzeit village, 10km north of Ramallah as a private shareholding company with a total capital investment of USD 150,000.

year		year	
1979	Birzeit Pharmaceutical Company became a public share holding company with a capital of USD 0.5 million.	2005	BPC became listed in Palestine Securities Exchange.
1992	The Company merged with the third largest pharmaceutical company in Palestine, Palestine Medical Company, in addition to establishing Medix Company for Beauty Care. Medix represents a number of international Companies, such as Maybelline, Vichy and INDOLA.	2006	BPC expanded its market share through buying a share of Petrpharm Pharmaceutical Company in Algeria.
2001	BPC acquired ISO 9001 certification.	2008	Continuous investment in quality lead BPC to acquire cGMP certification according to WHO standards.
2002	BPC took over 73% of Eastern Chemical Company, and later in 2004, the remaining 27% was acquired.	2010	BPC doubles its export market share which reflected on its revenues during 2010.
2004	BPC acquired ISO 14001 certification.		

## **Investor's relations / Financials**

BPC continues to succeed and grow despite the aggressive price competition strategy that had been followed by Pharmaceutical Companies all over the world. This competition has affected the overall Company's pricing policy, however it didn't affect its market-share, growth, assets and profits.

Financial Analysis for the year 2010

- BPC's PE ratio (The valuation ratio of a company's current share price compared to its per-share earnings) decreased from 13.1 in 2009 to 9.7 in 2010.
- Earning per Share (Earnings per share serves as an indicator of a company's profitability), has increased from 0.25 in 2008 to 0.34 from in 2010.
- Total assets have increased from JDs 34.7 in 2009 million to JDs 37.3 million in 2010.
- The continuous increase in shareholders' equity is another sign of BPC's growth. Total shareholders' equity has increased from JD 29 million in 2009 to over JD 31 million in 2010.
- As an industrial company, it is very important for BPC to keep monitoring its net profits, this can be seen from the increase in net profit value from less than JD 1.4 million in 2006 to JD 4.3 million in 2010.

## **strategic Investments**

Another important key to success is related to BPC's strategic partnerships, alliances, relationships with local, regional, and international companies, institutions, and bodies. The following sections provide brief descriptions of BPC's strategic relationships.

### **Business in Algeria**

Late 2006, (BPC) bought a share of Petrpharm. Since that time the management of BPC put an investment plan to start production there. In early October 2008, the Algerian Ministry of Health had requested all manufacturing companies to meet the local pharmaceutical demand, hence not allowing any importation of foreign products already manufactured and or packed in Algeria. Such a decision would tremendously increase BPC's sales to Petrpharm during the coming years. Pending orders to Petrpharm had doubled in the year 2009.

### **Lotus for Financial Investments**

In 2005, BPC and few of its main shareholders had established Lotus for Financial Investments, with a capital of USD 5 million. Lotus ranks the first among 9 brokerage companies in Palestine.

### **Al Rafah Microfinance Bank**

BPC's main shareholders, and with the help of other local companies and investors, mainly Lotus for Financial Investments, PALTEL, and PADICO have established the first microfinance bank in Palestine, "Alrafah Microfinance Bank". The position of Chairman of the Board is now given to BPC.

### **Al Takaful Insurance Company**

In early 2007, BPC and 3 local insurance companies decided to establish an insurance company that covers insurances according to the Islamic Sharia'a. The company started its insurance activities on February 2008. The paid up capital is USD 8.5 million.

## **Achievements 2011**

1. Increased domestic and export market share.
2. Maintained product production with increased employee productivity.
3. The company expanded facilities, completing several projects including:
  - Opened the Department of Pharmaceutical Solid Products.
  - Constructed a building dedicated to quality assurance and control.

- Isolated antibiotics-producing areas.
- Invested in sterile pharmaceutical manufacturing facilities.
- Expanded labs in response to increased Demand.
- Developed production lines.

### Future

1. International market expansion.
2. Keeping pace with the rapid development of technology in the pharmaceutical industry by upgrading facilities, machinery and equipment Acquiring the necessary certification to ensure high product quality and consumer safety.
3. Product expansion to meet the needs of target markets.
4. Increasing staff efficiency.
5. The Company will continue to invest in the export markets. (<http://www.bpc.ps>)

## 2. Jerusalem Pharmaceutical Company Ltd. (*Al-Quds*) JPH

### Profile

Jerusalem Pharmaceuticals produces more than two hundred medicinal products in all dosage forms as well as over -the-counter preparations and nutritional supplements. JPH also manufactures veterinary products, cleaning and personal care products in a separate and specialized manufacturing site at its subsidiary branch: Balsam.

### Achievements 2011

1. Net sales of JOD 14,087,667.
2. Net profit of JOD 1,728,555.
3. Company assets reached JOD 35,360,263
4. Opened Regional Office in Jordan for Export.
5. The company focused on rehabilitation and development of the Jordan River Company in the Hashemite Kingdom of Jordan.
6. Added new products to the production line.

### Future

1. Achieve sales and profit growth.
2. Expand to regional and Arab markets.
3. Continued research and development.
4. Raise the technical level and obtain the European GMP Certificate (Good Manufacture Practice).
5. Continued development of internal systems and IT programs.
6. Attract skilled personnel and provide ongoing training.
7. The development of subsidiaries and new revenue streams.
8. Establish new strategic partnerships.

Basic Information			
Registration No. :	562600197		
ISIN:	PS2001111694		
Established Date:	1969		
Listing Date:	20/01/1997		
Location	Nablus St. - Al Bireh		
P.O. Box:	3570		
Tel:	02-2406550		
Fax	02-2403246		
Email.	<a href="mailto:info@jepharm.ps">info@jepharm.ps</a>		
Web site:	<a href="http://www.jepharm.ps">www.jepharm.ps</a>		
No. of Branches:	4		
No. of Employees:	246		
Year	2011	2010	2009

Total Shareholders' Equity	26,155,893	23,552,042	20,080,533
Paid-in Capital (JOD)	5,000,000	5,000,000	5,000,000
Net Income (JOD)	1,728,555	2,384,736	1,450,132
Sale (JOD)	14,087,667.		

Jerusalem (AL-QUDS) Pharmaceuticals was established in 1969 as a private company, then became a private shareholding in 1975. In order to meet the ever-expanding needs, it was transformed to a public shareholding in 1978. Jerusalem (AL-QUDS) Pharmaceuticals employs about 300 highly qualified personnel specializing in the areas of pharmacy, chemistry, microbiology, administration, engineering, accounting and many other related fields. The working capital of the company is about \$10,000,000.

### **Mission :**

Our mission is to reach world markets in supplying quality products at affordable prices by developing, manufacturing and marketing products that improve the quality of life for people around the globe. Our success is founded on meeting the expectations of all our customers, our people and the communities in which we live and work.

### **Marketing Department**

While aiming at achieving the company's vision, the marketing department at Jerusalem Pharmaceuticals Co. sets its marketing objectives and interprets them into annually budgeted action plans that are tailored to respond to Jerusalem Pharmaceuticals customers and their needs. However, the marketing department does not stop there, it measures periodically the actual performance against the marketing sales and profit objectives and revise action accordingly and when deemed necessary. It also carries out continuous performance appraisal training courses for its staff. Moreover, the marketing department strives to grasp/comprehend the dynamics, strengths and weaknesses of the local and international competitive environment Jerusalem Pharmaceuticals is working under. To that effect, the marketing department staff dedicates their efforts to identify their areas of strengths and make the utmost use of them to enable the company realize its threats and discard them as the latter prioritizes.

Another major task of the marketing department at Jerusalem Pharmaceuticals Co. is to identify the company's target groups and the means to approach them. The marketing department also decides on how will Jerusalem Pharmaceuticals products be presented at the market place through using innovative techniques. The marketing department also works on enabling the department's employees to achieve their own successes and satisfactions to guarantee the quality of the products Jerusalem Pharmaceuticals provides the medical profession with. Thus, a well-structured training development plan that allows personal input diversification that would result in a wide range of personal paths of successes was developed and is being implemented at Jerusalem Pharmaceuticals.

### **Production**

Consistent production of medical products of the required quality, that comply with their approved specifications, and in accordance with the relevant manufacturing and marketing authorization by following clearly defined procedures and in compliance with the principles of Good Manufacturing Practices.

### **Description of the department**

The different production operations are carried out according to pre-established instructions and procedures and in accordance with good manufacturing practice. Adequate and sufficient resources are made available for in-process controls. Appropriate technical and organizational measures are taken to avoid cross contamination and mix-ups, for example: Penicillin and Cephalosporin products are produced in segregated areas, appropriate air locks and air extraction are provided, testing for residues and use of cleaning status labels on equipment. The manufacture of sterile products is carried out in special areas entry to which is through airlocks for personnel, equipment and materials. Clean

areas are maintained to an appropriate cleanliness standard and supplied with air that has passed through filters of an appropriate efficiency.

#### **Product range:**

Sterile Dosage Forms (Ampoule, Eye/Ear/Nose Drops), Non-sterile Dosage Forms (Capsule, Tablet, Solution, Syrup, Suspension, Lotion, Powders for Suspension, Cream, Gel, Ointment, Suppositories).

#### **Personnel**

Persons responsible for production have an adequate background in relevant scientific disciplines, such as bacteriology, chemistry, medicine, pharmacy, together with sufficient practical experience that enables them to exercise their management function for the process concerned. Personnel working in clean, penicillin or cephalosporin areas are given specific training appropriate to their duties. Procedures relating to the health, hygiene practices and clothing of personnel are established and adapted to the different needs within the production area. All production personnel receive periodic medical examination. Every person entering the manufacturing areas wear protective garments appropriate to the operations to be carried out.

#### **Premises:**

There are five segregated production areas:

1. Main Production Area: For the manufacture of major products. Area is about 4000 m<sup>2</sup>
2. Clean Area: For the manufacture of sterile product (Ampoules, Eye/Ear/Nose Drops). Area is about 300 m<sup>2</sup>.
3. Penicillin Area: A separate building for the manufacture of penicillin drug products. 600 m<sup>2</sup>
4. Cephalosporin Area: A segregated area for the manufacture of cephalosporin drug products. 600 m<sup>2</sup>
5. Veterinary Area: A separate building for the manufacture of veterinary products. 800 m<sup>2</sup>.

Walls, floors are made of concrete, most of portions are made of bricks and gibs board. The floors finishing is of epoxy type, while the walls are oily painted.

#### **Production Equipment**

All machines used in the production area which have direct contact with the product are made of suitable material of construction such as stainless steel 304, 316, 316L. For each machine in the company there are written procedures for cleaning, operating, maintenance and , if required, calibrating procedure.

#### **Quality Control**

Quality Control is concerned with sampling, specifications and testing as well as the organization, documentation and release procedures which ensure that the necessary and relevant tests are actually carried out, and that materials are not released for use, nor products released for sale or supply, until their quality has been judged to be satisfactory.

#### **Company History**

The success story of Jerusalem Pharmaceuticals (Al-Quds) goes back to the early year of 1967. Following the occupation of the West Bank and Gaza Strip when the Israeli authorities prohibited the imports of medications to occupied territories, this has encouraged founders who were importers of pharmaceuticals by profession to establish JEPHARM (Al-Quds) in order to meet the increasing humanitarian needs of the Palestinian people.

The offshoot of JEPHARM (Al-Quds) came to light in 1969 as a private pharmaceutical manufacturing company. In order to meet the ever-expanding needs of JEPHARM (Al-Quds) transformation into a private shareholding company in 1975, and into a public shareholding company in 1978 was an essential requirement.

JEPHARM (Al-Quds) employs more than 170 highly qualified personnel specializing in the areas of pharmacy, chemistry, microbiology, administration, engineering, accounting, and many other related fields. The working capital of the company is \$13,000,000.

### **What we do?**

JEPHARM (Al-Quds) product range spans the whole spectrum of ethical pharmaceuticals as well as over the counter preparations and nutritional supplements. Products are presented in different dosage forms such as Tablets, Capsules, Ampoules, Granules and Powders for suspensions, Suspensions, Syrups, Lotions, Powders, Suppositories, Ovules, Creams, Ointments, Gels, Emulgels, Ear/Eye/ Nose Drops, Solutions, Mouthrinse and Gargles. JEPHARM (Al-Quds) also started recently producing a wide range of veterinary products including vials, powders, oral liquids and fodder additives such as multivitamins and multiminerals. JEPHARM (Al-Quds) also manufactures detergents and cosmetics under license from French companies.

### **Our people**

Jepharm (Al-Quds) team is comprised of highly trained personnel. Our motto is: "Invest in your people and they will invest in you", as is reflected in our advanced training facilities and ongoing specialized training programs. The result is a remarkably efficient team of people whose loyalty to the company and healthcare community is unparalleled. These are the real fruits of our long labor and we recognize with gratitude their commitment and drive.

### **Future prospects**

At Jepharm (Al-Quds) management looks into the future, they see a growing confidence in many aspects: Confidence in the people who run the business, where they will always be among areas in which their enthusiasm is at work, preparing the products of the future. The continual implementation of strategies to maintain leadership in pharmaceutical industry, while maintaining strong base of quality manufacturing. The continued implementation of good manufacturing practice GMP according to international standards regulations (WHO, FDA & MCA) and adaptation of ISO9000 series and introducing a total quality management system to reinforce the Quality system.

Expanding products lines, establishing new production facilities and opening new markets regionally and worldwide. Introduction of new lines of pharmaceutical dosage forms. Looking for business and technical cooperation with multinational pharmaceuticals companies.

### **Mission:**

We believe that its stockholder's satisfaction is its access toward globalization. Developing, manufacturing and marketing products that improve the quality of life for people around the globe. Our success is founded on meeting the expectations of all our customers, our people and the communities in which we live and work.

### **Vision:**

Our vision is to continue providing quality pharmaceuticals to the medical professions and become their vendor of choice worldwide. This can be achieved by Making quality, integrity and excellence hallmarks of the way we do business. Attracting, developing and motivating the best people. Continually growing and improving are our business

### **Objectives:**

Confidence in the people who run the business, where they will always be among areas in which their enthusiasm is at work, preparing the products of the future.

- The continual implementation of strategies to maintain leadership in pharmaceutical industry, while maintaining strong base of quality manufacturing.
- The continuous improvement of our quality and environmental management systems that covers all aspects of work in the company.

- The implementation of good manufacturing practice GMP according to International Standards & Regulations (WHO, FDA & MHRA) and adaptation of ISO (Quality and Environmental) series and introducing a total quality management system to reinforce the Quality system.
- Expanding products lines, establishing new production facilities and opening new markets regionally and worldwide.
- Looking for business and technical cooperation with multinational pharmaceutical companies.

AI Quds Pharmaceuticals will communicate its interest in quality and environment to its employees, suppliers, customers and interested parties. In order to achieve its quality and environmental policy, Jerusalem Pharmaceuticals has developed and is implementing quality and environmental management systems in full compliance with the international standards ISO9001 and ISO14001.

Although policy making within AI-Quds is the prerogative of its board of directors, it is inconceivable to pass any policy statements to take any executive action that is not consistent with principles of the company's QA regulations. All operations done by different departments including purchasing, R&D, QC, Production, Engineering and Marketing are executed in compliance with international regulations of cGMP and ISO 9001 & ISO14001 series guidelines. AI-Quds fosters a systematic and efficient quality system program that covers all matters that individually or collectively influence the quality of its products.

### **3. Beit Jala Pharmaceutical Manufacturing Company BJP**

What started as the first small pharmacy in Tulkarem, Palestine in 1933 has successfully developed into a multinational pharmaceutical company with a diverse range of dependable and high quality pharmaceuticals. Located in the outskirts of Bethlehem, Beit Jala Pharmaceuticals (BJP)'s GMP and ISO certified manufacturing plant produces and exports medicines throughout the region, and is networking with its sister companies in the Munir Sukhtian Group to reach other international markets as well.

Beit Jala Pharmaceutical Manufacturing Company was founded in 1968 – formerly Jordan Chemical Laboratory – with a commitment to the constant development of human resources and activities to ensure product and service quality. Beit Jala Pharmaceutical Company (BJP) is located in Beit Jala, south to the holy city Jerusalem and west to Bethlehem the birthplace of Jesus Christ. BJP conducts its operations in accordance with Good Manufacturing Practices (GMP) and is ISO 9001:2008 and ISO 14001:2004 certified by Lloyd's Quality Register.

**Vision :** To serve humanity in enabling a better and healthier quality of life.

**Mission :** striving to Manufacturing safe, pure, and effective branded generic drug pharmaceutical products for the domestic and global markets.

**Facilities:** Especially designed in compliance with cGMP regulations, with total separation between the different dosage forms in all areas pertaining to weighing, manufacturing and packaging.

The team at BJP consists of highly qualified and experienced personnel, trained to implement quality systems in order to continuously guide the company into producing the highest quality products delivered to customers and affiliates in an optimal, professional, and competitive manner.

BJP has become a pioneer in seizing leading market positions in several markets, in addition to establishing alliances with affiliates to enhance its position and launch it towards the next decade.

BJP currently operates in Palestine and looking forward to operate in a variety of geographical locations throughout the Middle East, Africa, Europe and the Far East.

## **Our core values & core purposes are:**

- Serving humanity and the well being of people.
- Providing world-class pharmaceutical products.
- Ensuring prosperity and progress through research, alliance, partnership and affiliation with reputable global partners sharing same vision and ethics.
- Achieving the highest levels of performance, job satisfaction and core competencies

### **Company advantage**

GMP & ISO certified

More than 120 registered products of different dosage forms

Broad portfolio of therapeutic categories

More than 140 experienced and talented employees.

### **Research & Development Department**

A strong pipeline that enables applying for a marketing authorization of a significant number of products that provides regular sales growth in the domestic and global markets.

### **Quality Control Department**

The QC department performs all physical, chemical testing of the active pharmaceutical ingredients, in-process materials and finished products. In addition to shelf life testing and monitoring.

### **Production Department**

The plant is a multi production facility designed for the manufacturing of solid dosage forms, semi solids, liquids and sterile liquid dosage forms in the form of eye drops. The design enables storage, weighing, production and packaging of a certain dosage form separately in a downstream flow, eliminating the possibility of mix-ups and cross contamination.

### **Human Resources**

Beit Jala Pharmaceutical Company success is based on a policy of recruiting high standard employees in various industry related backgrounds. 85% of the employees are holders of academic degrees.

### **Marketing Department**

Marketing, with its two branches: Domestic Department and Export, provide a broad portfolio of both ethical and OTC products. Beit Jala Pharmaceutical Company is a major player in the local market. BJP established a remarkable marketing and distribution network to serve the local market professionally & successfully. The broad range of our products with the strong marketing network helped BJP to achieve leading positions among major local players. The marketing department works on fulfilling sales plans projecting and realizing a regular yearly growth of 10 - 13% in sales as a result of a constant growth in BJP Company's range of products and from the continuous introduction of new products and markets. This department performs customer satisfaction evaluations on a regular basis to enable constant feed back to top management.

### **Production**

Production lines for tablets, capsules, ointments and creams, syrups and suspensions, and suppositories were installed. In 1978 the company started the production of four different types of eye drops that proved to be a success further on. In 1992, decision was taken to start building a state of the art facility in compliance with cGMP guidelines and relevantly to refurbish the old facility, all with the aim to produce pure, safe, and effective drug pharmaceutical products.

Basic Information: Beit Jala Pharmaceutical Manufacturing Company			
Registration No. :	562601369		
ISIN:			
Established Date:	1969		
Listing Date:			
Location	Beit Jala, 81 Madarest St		
P.O. Box:			
tel	00972-2-2742855		
Fax	00972-2-2741072		
Email.	<a href="mailto:info@beitjalapharma.com">info@beitjalapharma.com</a>		
Web site:	<a href="http://www.beitjalapharma.com">http://www.beitjalapharma.com</a>		
No. of Branches:			
public offering Date:	12/8/2013		
No. of Employees:	140		
	2011	2010	2009
Total Equity	36,605 (NIS)		
initial public offering	4650000 (JOD)		
Capital	10000000 (JOD)		
Sale by(\$)	7350000	6720000	6510000
LOCAL SALE(INS)	24,615717	23,481,399	22,279,031
FOREIGN SALE(INS)	796,028	1,115,861	336,778

#### 4. Dar Al-Shifa'a for the Manufacturing of Pharmaceuticals (PHARMACARE)

Dar Al-Shifa'a for the Manufacturing of Pharmaceuticals (PHARMACARE) is a public company incorporated in 1986 and registered with the company's registrar under number 562600288 according to the company's law number (12) Of 1964. The registered address of company ( management offices and factories) is: Beitunia-Ramallah, P.O.Box 677.

The company's activities include manufacturing, selling, distribution, export and import of medicines, cosmetics, chemicals and veterinary products. During 1999-2000, Dar AL-Shifa" had to secure financing to finalize the most ambitious of its projects, represented in building its new factory. Of the different source of finance, Dar Al-Shifa'a chose for equity finance through cooperation with Mr. Michael Wirtz and his family owners of Grunenthal GMBH, a reputable German company involved in pharmaceutical manufacturing . Dar AL-Shifa believes that alliance with Grunenthal company will help it to meet and confront the challenges of globalization.

The agreement with their German partners stipulates the company to have two members in Dar Al-Shifa'a board of directors thus will be strongly engaged in the company's financial and administrative affairs. Technology support, training and knowledge transfer in additions for Dar Al-Shifa'a right in manufacturing and distribution some of Grunenthal products which will ensure continuous growth in Dar Al-Shifa'a sales and enhancing Dar Al-Shifa'a ability to overcome the competition.

At the end of 2011, Wirts family/ owner of Grunenthal GMGH decided to reduce their stake in Dar Al-Shifa"a (Pharmacare PLC) and as such Pharmacare management decided to include Bank of Palestine Ltd. And Reach for Investment & Development as shareholders. They have bought 8.35% and 3.9% for each of them of the company's shares respectively, and the German partner maintained his shareholding which constitutes 23.92% of the company's shares.

During the first quarter of 2008 with the support from its German partners; the company obtained the European certificate of good manufacturing practice GMP after an inspection performed by the German ministry of health.

The company's general assembly held a meeting on 30 June 2010, and set a date for listing of the company's shares in Palestine securities exchange on 11 November 2010 which coincided with the company's celebrations of its silver jubilee.

The number of the company's employees was 286 as of December 31,2011 and 211 as December 31,2010.

### Trading & Financial Results Currency: USD

Year	Total revenues	Total expenses	Net income (Loss)	Dividends	Capital	Subscribed Capital	Market Cap
2011	19,464,154	3,626,456	2,028,890	-	8,462,623	8,462,623	-
2012	15,364,226	4,102,762	2,027,972	-	8,462,623	8,462,623	-

Basic Information			
Established In :	1986		
H.O. Location :	Ramallah-beitunia		
P.O. Box :	677		
Telephone :	022900680		
Fax :	022900189		
Web Site :	N/A		
E-mail :	<a href="mailto:pharmacare@pharmacare_ltd.com">pharmacare@pharmacare_ltd.com</a>		
No. of Branches :	1		
Termination date of Board :	2015-04-23		
General Manager	Bassim Subhi Farah Khoury Nasr		
Auditors :	Saba & Co (Member of Deloitte Touche Tohmatsu)		
Chairman :	Mr. Bassim Subhi Farah Khoury Nasr		
Registration No.	562600288		
Listing Date:	30/04/2013		
No. of Employees:	286 for year 2011		
year	2012	2011	2010
Total Shareholders' Equity			
Paid-in Capital	8,462,623	8,462,623	
Net Income			
sale	1805000	1987000	1931000

Source : Palestine Exchange, 2012. Companies Guide-2011. Nablus – Palestine.  
<http://www.pex.ps>. Accessed 2013.

Source : Firms web site and Annual reports